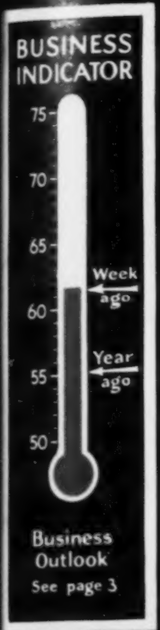
SEPT. 30
1933

BUSINESS WEEK



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Westinghouse

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Elevator rehabilitation problems referred to Westinghouse are given individual, careful study to insure the most economical, intelligent recommendations.

BUSINESS WEEK (with which is combined The Magazine of Business) September 30, 1933, No. 213. Published Weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd Street, New York, N. Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; B. R. Putnam, Secretary. $5.00 per year, in U.S.A. and possessions; $7.50 per year in all foreign countries. 20c. per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the act of March 3, 1879. Printed in U.S.A.

Printed by The Schweinler Press, N. Y.

This Business Week

COL. ROBERT W. LEA has been named Assistant Administrator of the NRA. Thus, General Johnson puts his old colleague in the Moline Farm Implement Co. in the important chair vacated by the recent resignation of his old friend Dudley Cates of Chicago. The Middle West still holds that key job.

THE General, incidentally, saw that particularly prominent and completely gratuitous editorial in the New York *Times* which criticized his New York speech, saying of course he didn't write it, and thus and so. As a matter of fact, Johnson did write it, worked all night on it, writes all his speeches, lost his amateur standing in authorship when still fresh from West Point, as all newspapermen who trail him know. Only an inside man out to find fault could have made the error.

SOMEWHAT the same thing happened to Richberg, who caught a misquotation, something about blood in the streets, in a New York *Herald-Tribune* news story. He knew what the *Trib* would do with *that*, editorially; promptly Western-Unioned a denial. However, the paper had already made up its mind, the remark was fittingly embalmed in an editorial the same morning the Johnson crack appeared.

ONE Frederick Barber Campbell, New York attorney, member of the board of several British and American insurance companies, toted some 27 gold bars around to the Chase Bank last fall and winter. Last week he went around to get them out, found he couldn't, sued the bank in Federal Court. He said the executive order on gold had nothing in it to make illegal return of gold entrusted to a custodian, that if it had, it was unconstitutional anyway. He invited a test. The government was happy to oblige, indicted Mr. Campbell for failure to report his possession of the bullion, a matter of 10 years and $10,000 if convicted. Also, if he doesn't give up what he hasn't got before the deadline, he may be indicted for failure to return as well.

"CORSET Stay Denied," is the headline on a Washington office bulletin. The Gem-Dandy Co. (Madison, N. C.) wanted a Southern wage differential like other industries. President Roosevelt denied the application; the recently approved Corset and Brassiere code is going to be binding—which puts the Southern corset makers in a tight place.

A SURVEY now being made for the government's executive council shows many places where new building is needed even at the present scale of business activity. Only a few areas, like the island of Manhattan, have a surplus of buildings. In most places, business will not have to increase much to create pressure on existing housing. Then, too, under the new order, it is going to be necessary to relocate many plants where costs can be reduced.

All of which points up the necessity in the heavy industries, of which construction is the heaviest, for the reestablishment of a capital market. To finance the development of this potential market takes security issues, not bank loans.

To meet the complaint that building is also being retarded by high wage scales, some unions are thinking about making concessions—provided no abnormal profits are taken by the builders.

THE bimetallists, active if unimportant minority, have been circulating the story that Sir Frederick Leith-Ross is coming over to make a proposition to the President: Britain would join us in bimetallism if United States gave Britain a 90% debt reduction. Likewise, they spin amusing stories about the butler in Bar Harbor where Montagu Norman dined who rushed out when the table was clear to buy silver.

Actually, well-informed Britishers in Washington are skeptical about anything serious on silver. They say Britain might consent to increase the silver content of her subsidiary coins, or something of the sort, but she would never go to bimetallism—debts or no debts.

DR. WILLIAM S. CULBERTSON, recent Republican-appointed ambassador to Chile, former member of the Tariff Commission, has joined Walter Teagle's Industrial Advisory Board to NRA as foreign trade expert. Officially a "resident adviser," he sits in on preliminary hearings where codes in the raw are roughed into shape. His job is to see that foreign trade has a chance under the code, that industry does its part in keeping it alive.

THERE are no codes for the NRA printing presses. Since June 16, handouts have been rolling out; this week they push the thousand mark, not counting a couple of hundred printed code texts and a like handful of minor matter. Some of the transcripts of hearings would make a book that would make "Anthony Adverse" look like a pamphlet.

The Business Outlook

Business shows insignificant fluctuations from recent levels. . . . Considerably bigger than a man's hand are the dark clouds of brewing labor storms piling up on the horizon. The history of every recovery thus begins to repeat itself. . . . Adjustment to code regulation proceeds well, considering the complexities of the problems. Aroused to the plight of capital goods industries, the Administration takes direct action. For example, its steel rail proposal, hard to turn down, no matter how embarrassing the terms. . . . Steel producers find the code increases costs; their activity holds at 40%. . . . Construction shows a little improvement from public works, and residential building, late as is the season, shows a little upturn. But building needs strong medicine yet. . . . Electric power consumption is off a little. . . . Important and encouraging is the increased rate of spending as shown in bank figures. In March, bank deposits were turning over at the sluggish rate of 17 times a year; by July the rate was 22 times. Decline in currency outstanding represents bills of large denominations returned from hoarding, not the reduction of the public's pocket money. . . . The Administration lays out a vigorous and bold program of credit inflation. . . . As to currency inflation, there is still discreet silence.

BUSINESS WEEK

SEPTEMBER 30, 1933

Currency Inflation

The battle over the currency breaks out with new vigor, but the President still is open-minded, will not be hurried in either direction despite all the pressure.

WASHINGTON—The currency inflation battle has broken out again, with a new intensity. The noticeable reaction in business and in farm products prices since the July peak has caused the advocates of currency inflation to redouble their efforts to get the President to act. The "sound money" people have stoutly met the thrust. Abandoning its tradition of impartiality in its news columns, the New York *Times* is propagandizing for them. The Baltimore *Sun* is lined up in support. These newspapers carry weight with Democrats.

Inevitably, with the newspapers strongly prejudiced on one side or the other, it becomes difficult for the public to form any clear idea of the true state of affairs. Faithful readers of the *Times,* for instance, must be convinced that the President has set his face sternly against currency inflation, and that within a few days he will so announce in unmistakable terms. A large section of the daily press in other parts of the country seems to have echoed this.

Has Not Decided

In the best judgment of *Business Week,* corroborated by the judgment of several highly-placed men who have not yet been wrong in their forecast of this Administration's policy, the true situation is this:

The President has not decided that he will inflate the currency at any near date.

He has not decided whether such a step may or may not be necessary sometime.

He is pledged to inflation in the sense of restoring the price level to something like that of 1926. He has no prejudice for or against manipulating the currency to attain this purpose. Just now, he is using the expansion of credit on a great scale. He may or may not decide it is advisable later on to employ additional tools.

The question of inflationary technique will be decided as events develop. The one certain thing is that there is going to be a price inflation. Whatever has to be done to bring it about will be done.

Men in whose judgment *Business Week* puts great reliance believe chances favor some measure of currency inflation at some time in the future. When it comes, the move will be prompted in part by the desire to raise the price level, but even more strongly by the desire to save interest. Currency is a non-interest-bearing government obligation. The public debt now is around $27 billions; the interest burden grows heavy. Likewise devaluation—and there seems to be no disagreement whatever as to the certainty that the dollar eventually will be devalued—in effect cuts the burden of the public debt by whatever percentage the gold content of the dollar is reduced.

While the cotton growers have made more noise than any other group advocating inflation, the silver people have been more persistent under the surface. Something may be done for silver, but it is almost sure not to be bimetallism. This is based solely on appraising the varying strengths of the men known to be advising the President, and not on any definite expressions by Roosevelt.

Out-and-out "sound money" men, opposed to inflation in any form, have not been in the picture at all. Douglas, Director of the Budget, who might be regarded as the leader of this group actually inside the Administration, simply does not discuss it with the President. Bernard M. Baruch, who might be termed the leader of the "sound money" group not holding office but sympathetic with the Administration, spent the summer in Europe and has not seen the President since his return.

Some of the President's advisers whose sound money views are less irreconcilable than those of Glass, Douglas, and Baruch have been gravely discussing all sorts of inflation schemes with the President, their main hope being in delay. They have felt sure recovery would gradually make it apparent to the country that currency inflation was not needed.

So far this has not been apparent. It will probably never be apparent to the farmers, for no one really believes the farmer is going to be satisfied with any

Globe

LOUDEST FOR INFLATION—Senators Thomas of Oklahoma, left, and Smith of South Carolina at a meeting of the "inflation bloc" in the Capital gave voice to the sentiment of the cotton group.

prices for farm products that can reasonably be expected.

Hence the violence of Senator Thomas, of Oklahoma, et al. They know that to scream for inflation will always be good politics back home, especially if they do not get all they ask for. This is rather unfair to Thomas, who is personally an honest and convinced rabid inflationist. But it goes for a lot of others.

Entirely too much has been said about the necessity of the President acting before Congress forces his hand. Such talk has been given color by interviews like that of Senator Harrison, chairman of the Senate Finance Committee. But all there is to the "act before Congress does" idea is that the President naturally would like to avoid a situation in which he would be put in the position of blocking an issue highly popular in a considerable section of the country.

But unless there is such a revolution as no one now contemplates before January, the President will have little trouble stopping anything he does not want. All he needs in Congress to stop anything is a strong minority. At last accounts he had a substantial majority. Not only that, but in a fight to prevent any very radical inflation move he would have the staunch support of every stalwart Republican senator.

The President is not worried about the situation. He is painstakingly trying to make up his mind. Last weekend he was still most open-minded about the whole thing, though his conferees indicate he is drifting to the idea of first issuing fiat money to finance the public works program, and later on marking down the gold content of the dollar.

He is not going to be hurried. He does not believe the situation calls for any immediate move. And even if Congress were a real threat, its meeting is some time off.

AAA

Trying to boost farm income faster than prices, the Agricultural Adjustment Administration has gone slow on codes. Better coordination with NRA would silence some of the criticism.

WASHINGTON—Policy of the NRA is to speed up the work of getting industries codified. Over at the Agricultural Adjustment Administration, there seems to be no hurry about codes at all. NRA has built, after troubles enough, something that looks like a machine to handle codes. Food processers and distributors find nothing of the kind at AAA. Moreover, there is evidence to be had, considerable of it, that too often Peek and Johnson, old buddies though they may be, work at cross-purposes.

These are the indictments of AAA, reduced to cold and dispassionate terms from the exasperated and sulphurous language in which they usually are expressed by men in the food industry who have tried to "get action" at AAA.

Two sweeping gestures put AAA back into the center of the recovery picture last week. One was the announcement of the plan to lend the cotton farmer 10¢ a pound on his cotton if he would agree to play ball with AAA next year. The other was the decision to buy $75 millions worth of farm products to be distributed to the wards of the Relief Administration. It was suspected both gestures were prompted partly by a desire to quiet the loud demands for currency inflation. Even so, both demonstrated dramatically the vast power and the huge sums of money in the hands of AAA.

AAA has money and man-power. It is dominated by a single purpose—to raise prices on farm products. It has done a vast job in reducing cotton acreage. It is now engaged in the same kind of trimming of wheat. Plans for 6 other major commodities are pushed forward at different rates of speed.

This work is going on. When it comes to the codification of the food industries, with their 50,000 units doing business of $20,000 or better a year, there is less progress to be reported. Here is where the grief has developed, and the criticism has been born.

The strictly agricultural phases of AAA's work reach the 40 or 50 million farm folk; the other phases touch everybody. The two combined make a job bigger and more difficult than Gen. Hugh S. Johnson's.

The basis of the criticisms of AAA lies in the delays in getting through the food codes. But after all, the record compares favorably with NRA's of only about 30 codes signed, after 3½ months. There is no doubt that the fact that the primary job of AAA is to raise prices to the farmer has had something to do with the delay. Industry representatives say that, where at NRA the pressure is to get codes in, AAA inquires whether the industrialist in the food line really thinks he needs a code yet, and Secretary Wallace is reported to have said recently in Chicago, that there was no haste about getting in codes.

One reason for its caution on codes can be found in the Department of Agriculture's long-standing sense of responsibility to the consumer. It was in this tradition that the Consumers' Council, headed by Dr. Fred C. Howe, took on the job of protecting the consumer against price rises. This job has a lot more in prospect, soon to be talked about, but AAA has no apologies for its activities for the consumer. It has kept bread prices down, has had an important hand in the ramified milk negotiations. Its recently issued *Consumers' Guide* (page 10) has attracted wide attention.

Food Industries Dissent

Food industrialists are not so pleased with the Consumers' Council plan, however. They assert that the holding down of prices eliminates the "expansion joint" that should take up the shock of the rise in farm prices and give the industry a chance to adjust itself. They compare the threat of its rulings to the union labor threat in NRA. But George N. Peek, Administrator of the AAA, says that the plan of AAA is to increase what the farmer gets from his crops; that shipping, handling, selling, are fixed factors, and that all the additional return to the farmer can be added and hardly show any difference in the consumer's price. And Dr. Howe seems to be there to try to make that stick.

In getting the farmer's income back to the 1909-14 average in terms of what he buys, it is Secretary Wallace's idea that codes do not have to be hurried. If the farmer's purchasing power is raised (and that of the industrial worker, too, by the NRA), there'll be increased volume and better profits for industry.

Ticklish Political Problem

The complications of the AAA problem are baffling, its delays and some of its moves disconcerting. It has a tremendous financial responsibility, a ticklish political problem.

There is confusion and discontent in the farmer groups as in the food industry groups. The answers are not always direct, but they strike deep, as did the 10¢ a pound loans to cotton farmers when cotton sold for less than 10¢, and the $75 millions of food purchases, "to wipe out the paradox of plenty."

The Recovery Program has its faults—a mountain of them—which its administrators know better than anyone. The issue between NRA and AAA seems sharp, as when George Peek in a recent address stated that "a large part of industry is still trying to maintain boomtime capacity and capital values at the expense of farmers and consumers." There are many indications that the job might be integrated with profit to both efforts. Maybe it will be.

Acme

WHAT AAA's ABOUT—Secretary Wallace (left) told delegates to the National Grain and Feed Dealers Convention what to expect of his plans. Center, is Frank Theis, chief of the Wheat Processing and Marketing Division; right, is George E. Booth, president of the Grain Dealers.

Code Compressor

While awaiting its own reorganization plan, NRA tackles its biggest job of reorganizing many little codes into one master code.

THE National Industrial Recovery program took a few days off this week, while it waited for General Johnson to come back from a brief visit to Walter Reed Hospital where he went a week ago for the removal of a fistula. Coming on top of the delays occasioned by the coal and retail codes, the General's absence seemed to emphasize the one-man nature of the show at NRA. As a matter of fact, one of the most important things held up was the reorganization plan (*BW—Sep16'33*) by which General Johnson's vast powers are to be delegated to a selected group of men who have been tried in the fire of the 15 weeks of NRA's existence, now to constitute the long-needed, long-promised policy board.

Twenty More Codes

Meanwhile, the 20 codes scheduled for hearing passed through the mill with little incident, added themselves to the 90 on which the formal hearings have been held but which have not yet been put into effect by Presidential approval. Some of those in the log-jam are still undergoing revision, but plenty of them are held up at the approval bottle-neck. The situation assured early action on the reorganization.

The coming week will see the hearing on the widest effort yet made to compress related industries into one master code. Some 150 codes have been drafted among the fabricated metal products and metal finishing and coating industries, covering the employment of half a million people. However, a master code has been prepared by the recently organized Fabricated Metal Products Federation, with the encouragement and support of Deputy King, for all fabricators of metals except the machinery groups and such well-integrated associations as that covering the manufacturers of automobile parts and accessories, which have their own codes.

Object of the plan is to bring under NRA the large number of small shops which do not seem to justify independent codes, but which, outside NRA, may prove demoralizing factors in the industrial and labor situations of their communities. The effort will be watched in Washington with interest, for it is full of possibilities for rapid handling of codes, and for dangerous rebellion. So far there have been few protests.

One of the time-saving features of Deputy King's plan is the promise of immediate and rapid hearings of supplemental codes, based on a model supplemental code containing some 200 items of fair trade practice, from which each industry may choose those best suited to it, or to which it may add provisions which it feels necessary.

Retailers' Vote

This week's mail at NRA headquarters was crammed with retailers' opinions on their proposed code, invited when Deputy-Administrator Whiteside released the code for public consumption before passing it on to the Administrator. On a compilation of sentiments he could show General Johnson and the President that 62.5% of his correspondents liked the code in its present form, none opposed the provisions condemning deceptive advertising methods, 20.8% objected to code working hours for delivery crews, 12.6% to the elimination of prison-made goods, 3.3% to the ban on company scrip, 0.4% to the prohibition of lotteries. And only 0.4%, says Mr. Whiteside, kicked against the 10% minimum mark-up around which most of the Washington fighting has centered (*BW—Sep23'33*).

Proponents of the stop-loss provision were convinced that it would go through without modification on the strength of these returns in the face of a campaign staged by a few powerful interests to brand it as "price-fixing" and "a conscienceless attempt to gouge the public."

It has been pointed out frequently that, with the average cost of doing business well above 20%, a 10% minimum mark-up requirement can hardly be classed as a price-fixing profit guarantee. Students of merchandising methods hold that the practical effect of the stop-loss provision is likely to be an actual lowering of average prices since, with predatory price-cutting stopped, retailers will no longer be obliged to obtain excessive mark-ups on some lines to compensate them for losses on others.

Next Week's Hearings

Codes set for hearing next week cover: malleable iron (Oct. 2); novelty curtains, draperies, bedspreads, and novelty pillows (Oct. 2); silverware manufacturing (Oct. 2); machine tools (Oct. 2); motion picture and theatre supply and equipment (Oct. 3); wholesaling plumbing products and heating products (Oct. 3); set-up paper boxes (Oct. 3); hardwood distillation (Oct. 3); automotive parts and equipment manufacturing (Oct. 3); printing equipment, printers' rollers (Oct. 3); plumbago crucible (Oct. 4); smoking pipe manufacturing (Oct. 4); soap and glycerine manufacturing (Oct. 5); coated abrasives (Oct. 5); fabricated metal products manufacturing and metal finishing and coating (Oct. 5); concrete masonry (Oct. 5); liquefied gas (Oct. 5); stationery, tablet and school paper manufacturing (Oct. 5).

Machinery and Jobs

NRA begins to think industry needs the breaks, rather than labor, in the capital goods field.

"40-40" is the slogan of the capital goods industries at NRA—40 hours a week maximum, 40¢ an hour minimum wage. Labor sticks for 30 hours, all the wages the traffic will bear or that labor thinks it can bear. Communists "accept" 30 hours, consistently ask $1 an hour, at all hearings where they appear. The Presidential Reemployment Agreements are for 35 hours, 35-37½¢ an hour.

Most of the controversy in capital goods codes is now over the maximum hours; the minimum wage applies to but few workers in those highly skilled industries. And the catch is that labor, in asking for 30 hours, means 30 hours at the pay of 48 hours, or whatever the industry was running in normal times, and industry means 40 hours at the pay of 48 hours in the good times. You take the total weekly pay for 48 hours, divide it by 30, or by 40, and get the new hourly rate in the higher pay brackets. Thus the 30-hour contention is also a contention for higher pay.

The 40-hour issue has a direct bearing on costs, as well as on the firmly made point that the type of labor employed in machine building cannot be picked up, and payrolls cannot be lengthened in these industries unless real machinists are available.

What Starting Point?

The machinery industry is not anywhere near capacity, nor near 40 hours. Labor contends it therefore ought to be willing to start from where it is, accept 30 hours (the average working time in the machine tool industry is put at 27 hours a week now, and that is optimistic) as the base for the new deal. Industry points out that when there are normal orders, the work cannot be done on a 30-hour week, because the men are not available. One plant worked 289 hours one month, but the average of 8 months, including that 289-hour month, was 89 hours; in other words, there was little if any work except in that rush month when the men worked 11 hours a day, and liked the extra pay.

The point made by the industry—with support of figures and trend-charts from economists, some of them in NRA—is that shortening hours will not make jobs in the capital goods industries; that is done only by stimulating the purchase of capital goods. And that, in turn, comes from government buying of goods, for one thing, the upturn of business and the providing of credit for another. And industry points out that putting costs too high limits the possibility of increased volume, for the purchase of capital goods is something that can be deferred.

There is a trend in NRA thinking that should encourage not only the capital goods industries, but other industries as well. The line of thought is that in the heavy industries, stricken now by the momentary American love for the antique in machinery, it will be better to err in favor of industry, in the labor provisions of the codes, than in favor of labor. The mistakes against labor can be corrected quickly, those against industry may destroy industry and with it the jobs of the workers.

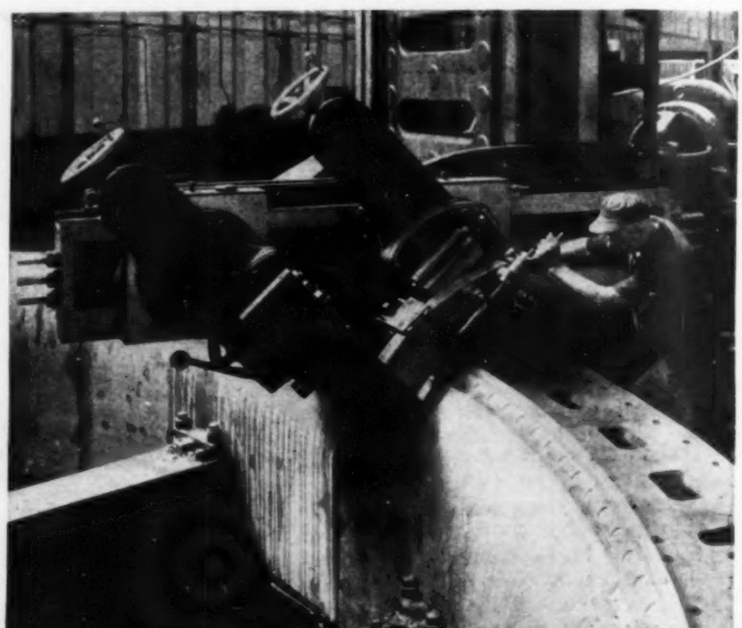
Not that 40 hours is yet the accepted standard in the capital goods industries codes. But those with a good case have a good chance of getting 40 hours. For instance, the textile machinery industry, which has reemployed virtually all the workmen it had lost, and can carry them, with present orders, at 40 hours. The figures on employment, as those know who have attended code hearings, have all been worked out in terms of what the maximum hours must be to have the industry employ the same number of men it did in 1929. And those figures stare the industrialist in the face, dominate the analyses of NRA, furnish labor with most of its ammunition for the reduced working week. But the broader aspects of the situation are not forgotten, in the capital goods industries at least, for they are rapidly becoming the subject of all polite economic conversation at Washington teaparties—those teaparties that NRA and other New Deal officials hold at Childs' before they go home to bed at 2 a.m.

Enforcement

General Hammond heads up industry code enforcement; Senator Wagner's board handles labor wars; the local Blue Eagle boards police PRA.

WASHINGTON—Enforcement machinery for the Blue Eagle agreements, and for NRA codes, and for clearing up labor difficulties under both, has assumed definite shape.

It looked at first as if local Blue Eagle boards were going to handle the policing, and local business and labor leaders, scenting power, scrambled for appointments. The boards expanded giddily in the 2 weeks after they were established on Sept. 11.



Business Week

BOULDER DAM SHUTOFF—Finishing the monel metal seat of the first of 8 giant 32-foot intake gates being built by Westinghouse at East Pittsburgh. The 8 gates for the 4 intake towers to control the water to the hydraulic turbines took 2,300 tons of steel plate, ferrous castings, bronze, copper, monel metal and stainless steel, fabricated with 8½ miles of weld. Designed in sections for shipment, the valve just completed left the plant in 11 freight cars.

Their glory was short-lived. They reached out too far. The National Labor Board rapped their knuckles when they undertook labor arbitration, and industries sharply insisted national codes were not going to be interpreted by a host of local boards. The Recovery Administration acted quickly. Proper machinery was set up.

Chief of Police

Gen. Thomas S. Hammond is made National Director of Compliance of NRA. He was executive director of the Blue Eagle drive. Now he becomes the chief enforcement officer of the permanent codes. His first duty is to receive and handle complaints of violations of fair practice provisions in the codes, working, of course, through the code authority of each industry. His second function is to handle labor issues, excepting those which involve actual or incipient strikes.

The National Labor Board, headed by Senator Robert F. Wagner, will step in wherever labor war looms. It is pledged by the Administration that its functions are to be kept sacrosanct against intrusion or interference. Regional agencies will handle local flare-ups.

All this relegates to third place the Blue Eagle boards—6,000 of them, when they all get named. They will handle complaints of Blue Eagle violations, handle exemptions under PRA, arrange adjustments where a contract with union labor calls for hours longer than the PRA maximum. These boards do not touch labor disputes; they report them in detail to Washington, and the Labor Board steps in.

This is the policing machinery of NRA, reduced to its essentials. The PRA Compliance Boards have an 11-page Bulletin (No. 5) all about their job, obtainable from NRA in Washington. The National Labor Board knows its functions well, got a joint statement from General Johnson and Senator Wagner defining the limitations of its duties. General Hammond's outfit is still to get its official outline of work, but the Code Authority plan is well established, feeds right into the mill of NRA and ultimately, if conciliation fails, into the Federal Trade Commission, the Department of Justice and the courts—for the codes, when approved, are laws to their industries and are enforceable as criminal statutes.

Steel Gets a Big Inquiry

But, to some sticklers, the President's demand for a price cut on rails seems slightly inconsistent with his signature on the industry's code.

STEEL men were excited over President Roosevelt's dramatic offer to prime the pump for the steel industry with an order of 700,000 tons of steel rails to be purchased out of a government loan to the railroads—if the rails could be bought on competitive bids for less than $40 a ton, published price for the fourth quarter. A 700,000-ton order from such a source was not to be sneezed at, but what about the steel code signed by the President Aug. 19 (*BW—Aug 26'33*) which, among other things (including a basing-point set-up) requires under penalty that no signer shall make better prices than those established by him and on file with the code authority?

Apart from their possibly academic talk about "scrapping the code" and "damage to morale," steel men have been saying that prices must go up, instead of down, if the new costs imposed by the code are to be taken care of in selling prices. They estimate that, operating at 40% of capacity, as they now are, the steel mills will have to pay out $100 millions more wages a year under the code. And they remember that in 1932 the industry lost $160 millions or $15 a ton of actual output. Until consumption has pushed output well above the 50% of capacity line, they insist, there must be higher prices to meet the higher costs.

Of course, there are critics—many of them in Washington—who say that American rail prices always have been too high, as compared with foreign quotations, and suspect that they have been kept up by the railroads' willingness to pay for steel traffic. To which the steel industry replies that $40 is low enough, what with $8 to $10 of the $40 required to meet the mere freight cost of assembling the 4½ tons of ore, coal, limestone, scrap, and other raw materials used in a ton of rails, and what with the standards and tests needed to make a product that will carry the heavy weight of American rolling stock. Until last October, the price was $43 a ton and the steel men make the point that, with 1932 rail output down to 402,000 tons, they then had every incentive to cut prices if it had been possible to use this stimulus to increase business.

Critics Are Still Skeptical

Meanwhile, unaware that a bombshell of Presidential bargaining was in store, the steel industry, under the leadership of the American Iron and Steel Institute, has been adjusting itself to code operations. Committees created at the sign-up rally (*BW—Sep9'33*) have organized their "educational" work with the same thoroughness with which the industry drafted its code, indicating that leaders have no illusions about the NIRA plan being a temporary bridge-over to prosperity. Steel men appear convinced that some type of control or organized cooperation between business and government will prevail for a long time, and they are digging in, arming themselves with statistics.

The committee on reports and statistics has prepared a set of instructions and report blanks designed to provide a wealth of data not previously available. The committee in charge of commercial operations has set up the necessary system for handling the complex and voluminous price lists which each manufacturer must file.

Fourth-Quarter Prices

Prices filed for the fourth quarter of 1933 show slight advances on some items; for instance, bars are up $3 per ton, plates up $2, structural shapes up $2, while others remain as in the third quarter. During the third quarter average steel prices were up 6% from the low point registered in February, 1933, against an increase of 16% in the wholesale prices index of the Department of Labor. Steel men have listened to the Detroit automobile companies' kick that code restrictions did not let them take justifiable advantage of a location permitting them to truck steel from nearby plants or get it by the cheap water route (*BW—Sep23'33*). The Detroit area is now allowed a $3 to $5 cut per ton depending on class of product or point of delivery.

NIRA Test

Miss Perkins' study of effect of codes on wages and hours convinces her that recovery plan is actually working.

MISS PERKINS' statistical corps is getting little of the leisure that is so eagerly being sought for wage earners through cuts in working time. Unusual diligence in checking up the effects of NIRA on wage rates and job hours must account for the remarkably prompt release of information on these important side-phases of the customary monthly summary of employment and payroll changes (*BW—Sep23'33*). She finds conditions "better than we expected."

Though only 7 industries had been signed on the dotted line at the time the August review was undertaken, they give a clear indication of the effect of code provisions. In cotton goods, for example, hours were cut from 49 a week

to 36.5, while hourly earnings were increased from 23.2¢ to 36.1¢. Weekly earnings on this basis remain somewhat meager, though increased from $11.37 per week to $13.18. The shortening of hours was accompanied by an increase in employment that lifted the August total 3.5% above the 1926 average, and doubled March payrolls.

In woolen and worsted plants, hours were reduced from 48.5 to 41.2; hourly earnings increased from 35.8¢ to 43.3¢. Similar trends occurred in shipbuilding, electrical machinery shops, women's clothing, corsets and allied industries.

Two industries which were covered only by modified blanket agreements reveal the same tendency to shorten hours, raise hourly rates, and increase employment. Dye and finishing concerns reduced hours from 49.5 to 36.3, raising hourly earnings from 37.1¢ to 49.7¢. Silk goods concerns worked 42.1 hours a week in July and 36.7 hours in August, while rates were adjusted from 31.5¢ per hour to 41.5¢.

From the middle of July to the middle of August, the average hours worked per week in manufacturing industries dropped from 42.3 hours to 38.6; average hourly earnings rose 13.6%, from 42.7¢ to 48.5¢, lifting weekly earnings only from $18.06 to $18.72—not an exciting boost in purchasing power, to be sure, but the success of the NRA program in the eyes of the Administration turns on getting a broader distribution of jobs at somewhere near tolerable wage levels, rather than on immediately boosting weekly pay envelopes.

Business Week

POCKET RADIO—Smallest of the midget-midgets which give manufacturers of big sets the creeps is the little Kadette Junior, about as big as a book, capable of receiving anywhere there's a light socket.

Efficiency Issue

NRA, asked to lift restriction on machine hours, is expected to say that job emergency prevents.

HIGH spot of NRA's first code hearing in which the cotton-textile industry started the industrial recovery ball rolling last July was an exchange between General Johnson and Russell E. Watson, attorney for Johnson & Johnson, surgical goods manufacturers, over the code's restriction of machine operations to 80 hours a week.

Said Mr. Watson, "The chief effect will be to transfer business to the less efficient mills at an increased cost to the consumer." Said General Johnson, "I am not arguing against the principle of economic operation for the long run, but, carried to the logical conclusion, this would mean the elimination of inefficient plants. Would you suggest that we adopt as appropriate to this emergency a principle which would reduce jobs?"

Johnson & Johnson raised the same issue again this week on the basis of actual experience under the code, asked NRA to permit cotton-textile plants to exceed the 80-hour machine limit if they would put employees on a 6-hour shift, 4-shift basis at the same wages now paid for 8 hours. Arguments: Efficient manufacturers can compete on this basis against those who follow the original plan; 80 hours' work a week won't take up the employment slack; the 6-hour day will double jobs in the company's own plants and in many others.

Counter-argument on which the Cotton-Textile Institute and NRA is expected to stand pat: Job increases in highly mechanized plants like Johnson & Johnson's would be more than offset by decreases in less efficient ones that would be unable to compete if the machine limit were lifted. The emergency is still on.

But Johnson & Johnson has economics on its side in the long run, knows that the "modernization issue" must be settled in favor of efficiency once the immediate job emergency has been met.

Consumers' Guide

New AAA periodical turns spotlight on margin between farm and consumer prices.

A BRAND-NEW publication appeared last week—*The Consumers' Guide;* circulation, 5,000; advertising, none; form, mimeographed on government hand-out paper. It is the house organ of AAA's Consumer Council, which is Dr. Frederick C. Howe and 10 clever women.

It is a single-minded bi-monthly; it turns the spotlight on the middleman's margin, that is all. Each one of 16 pages is devoted to a food commodity, showing prices in 51 cities and throughout the United States. The idea is simple enough—to awaken public sentiment and put its power behind the drive to get more money for the farmer without gouging the consumer. The subscribers are clubs and organizations interested in public welfare, extension teachers, lecturers, journals. Each subscriber, in other words, reaches many individuals.

Extract from the first issue:

"Consumers' prices have gone up from Feb. 15 to Aug. 15 because farm prices have improved. Farm prices were 49% of their pre-war level on Feb. 15; on Aug. 15, they were 72%. If farmers continue to fare as well, they should have an added income of $1,200 millions greater than last year's gross income."

The individual tables show that of the 16 commodities, only hens are being sold on a narrower margin than heretofore. Some price advances were less than the usual seasonal change, notably round steak and pork chops. In milk and flour, the farmer has received virtually all of the price advance. In eggs, the spread between farm and consumer is now 12¢; it used to be 10.4¢.

Radio Has Hopes

Manufacturers try to trade up improved conditions to larger models, but the midgets are still on display.

The radio industry would like to be the sweetheart of the NRA; radio manufacturers detect an unconscious desire for something better than the bare necessities among those with recently renewed pay envelopes, and they amplify an impression that the 6¾ million families now twiddling dials will be wanting something better just as soon as they can pay for it.

Naturally, they want to share any improvement in spending power. Hence the posters in the shop windows which show Mother (presumably it's Mother) with arms uplifted, facing the slogan, "Reach for the Joy of Living with Radio." The idea back of the posters, sponsored by the Radio Manufacturers Association, is simple, and not as unselfish as it would seem. The association has long been convinced that, as household spending picks up, competition is not going to be between radio manufacturers and dealers, but between —or rather, among—radios and automobiles and washing machines and refrigerators and clothing and all the other things which the American family has been denying itself these years.

Following a summer of organizing in the trade, comes the consumer drive, culminating in Radio Progress Week, Oct. 2-7, when broadcasters, advertisers, and stars are scheduled to give the campaign its final push. Even the aid of the Father of Radio will be enlisted on behalf of the great social force which he loosed on an unknowing world. Marconi's coming tunes in nicely.

So much for the institutional. There is also the practical matter of individual company sales. This week saw the unveiling of the new models with which the many manufacturers hope to snare their share of the hoped-for general improvement.

The occasion is the National Electrical Exposition at Madison Square Garden, New York City. Where the bike riders and the box-fighters made their rounds, General Electric and Westinghouse display their products, and where the elephants waved their ears in the basement, crooners now whimper for the national networks in the twin broadcasting studios.

A Radio Show

Although refrigerators and dishwashers bulk big in visibility, although all kinds of appliances for fancier living are made and sold by the same manufacturers and dealers, this is a radio show, by sound and effect.

The new models, thus displayed amid bands and ballyhoo and the wonders of science, reveal divergent trends. As usual, the manufacturers are trying very hard to trade up from the midgets into the more adequate and more profitable console jobs; the emphasis is all on the larger models. And as usual, the midgets are getting smaller and more efficient.

As a matter of fact, the former midgets have become an intermediate class. Beneath the mantelpiece and table top jobs which manufacturers were sure would ruin the business has appeared a whole new class of candy-box receivers, all of them portable by one hand, one of them so small it can be carried literally in the coat pocket.

Smaller, Sharper Thorn

This little thing, inconspicuously displayed among the big fellows, is likely to become the new thorn in their side. Last season, International Radio introduced the Kadette (*BW—Oct26'32*) which started the flood of sub-midgets operating on any current, easily carried about. Now comes Kadette Junior, weighing but 2 pounds, only 2 inches thick and 4½ inches wide, about a quarter the size and half the price of the original Kadette. It sells for $12.50, ready to receive anywhere.

In the larger jobs, the influence of the Chicago Fair is evident, but there are plenty of good old furniture models amid the chromium tubing. Atwater Kent goes in for consoles of both varieties. Crosley features the remote speaker, in which the tubes and controls are housed in a neat box at chairside and the speaker can be made big enough to do the job, placed anywhere. Philco also uses the same scheme for better reception; it's really remote control in reverse. Stromberg-Carlson shows its usual deluxe jobs, features an automatic tuning remote control. Majestic leans to the modern.

Most makers push hardest on the full-sized sets, but are prepared to meet all demands with several sizes in designs both classic and Chicago. Their hope is that, with things getting better, new buyers and those with obsolete sets can be traded up to full-sized sets for full-sized reception. There won't be so much talk of new tubes and new circuits; even the little ones have those.

Acme

RADIO SHOW—Against a background of refrigerators and washers, steady income producers for makers and dealers, new radio models are introduced. They are bigger and better, but the midgets are still present.

Washers

The economies of depression made the washing machine business what it is today: good.

If radio becomes the sweetheart of the NRA, then the humble washer will go down in history as the darling of the depression. The figures supply their own superlatives. Suffice it that washing machine makers have cashed in on the trend to economy.

In 1930, sales as reported by the association of manufacturers were 612,-

789 units; in 1931, approaching the bottom of the gulch, they rose to 652,-916, dropping off with everything else to 478,521 for the sad year of 1932. Production of a major maker not then a member of the association is not included, but ratios hold good.

This year they turn up again.

	1933	*1932*
January	40,644	38,486
February	50,578	45,946
March	49,052	42,721
April	52,302	43,091
May	60,904	35,844
June	71,175	33,352
July	103,000	30,401
August	140,000+	48,961

August figures, not yet complete, nevertheless assure a total for the month well over 140,000. Summer, as comparison with normal figures shows, is not selling time; like the automobile business, the washer industry found itself the happy victim of an unseasonal peak.

According to *Electrical Merchandising*, which watches the trade closely, the figures don't tell the half of it. Many manufacturers report back orders totalling over 100,000 which haven't been filled because hand-to-mouth buying and manufacturing runs back to original suppliers. It is also interesting to see the effect of better farm conditions reflected in the number of gas-engine jobs being shipped to the buyers beyond the electric light poles.

Mail-Order Basement

Sears, Roebuck tries its technique on the downstairs store.

THE recent launching of an agency sales plan by Sears, Roebuck & Co. is considered second in significance only to the opening of the company's first retail store 7 years ago, although officials emphasize that the whole thing is just another experiment.

The first operation under the new plan is now being organized and involves the entire basement of the A. B. Wyckoff, Inc., department store at Stroudsburg, Pa., where a full line of Sears' nationally advertised products such as radios, tires, washing machines, refrigerators, and electrical appliances will be displayed in addition to some of the more staple lines such as paints, auto accessories, batteries, hardware, etc.

Since the plan virtually means the installation of one of the Sears class "C" stores within another mercantile establishment, with employees directly under the control of Sears, insiders assume that rental for the space occupied will be figured on a percentage-of-net-sales basis, thus placing the entire procedure practically in the class of a leased department. As such it is not new but gains its significance from the fact that it probably foreshadows definite mail order expansion in that direction.

The problem of securing a satisfactory rate of income from floor space in the basement has been a serious one in the department store field. Many plans have been tried and eventually discarded for others that seemed more promising. Some stores consider the basement one of the necessary evils of the trade and are happy when departments there located break even or, at least, pay for most of their keep. Others charge the losses to promotion, since basements generally are operated to attract a different class of trade from that enjoyed by the "upstairs" store and frequently help upstairs departments to soften the blow of mark-downs by providing a definite and controlled outlet for out-of-style goods, discontinued or obsolete lines. Stores have had varying success in letting out entire basement operations to specialty merchandisers who have developed a special technique in building up profitable sales. Hundreds of department store managers undoubtedly would welcome an opportunity to turn over space occupied by a troublesome operation to the Sears organization.

Only one precedent exists for a nationally operated agency plan covering a varied line of merchandise, that of the United Cigar Stores Co. That company had, at one time, over 1,600 agencies, which carried a complete stock of the United lines of cigars, cigarettes, accessories, candy, novelties, razors, all under a consignment contract. Agents were compelled to devote definitely specified window space, floor, shelf, and counter display to those lines and received their compensation based on a percentage of sales. Those familiar with Sears' operation predict that the so-called experiment will develop into a nationwide activity which may be expected to contribute a substantial portion of the total sales volume and serve effectively in offsetting the continuing drift away from mail-order sales.

Wall St. and Mulberry St.

Newark hoped its Mulberry street might become as famous as Wall street when Tammany taxes drove Stock Exchange bulls and bears to seek shelter beneath the steer that surmounts its defunct food market. But it was just stud poker, and the bluff worked.

POKER lovers are watching with fascination a stud game for ponderous stakes between New York City's Tammany administration and the Stock Exchange. When the city announced a plan for heavy emergency taxes on stock transfers and on brokers' gross revenues, the Exchange threatened to leave the state. This is an ancient cry, raised every time harsh assessments are aimed at Wall Street. Mayor O'Brien thought the Exchange was bluffing. Maybe it was, but His Honor finally backed down and vetoed the onerous levies.

Whatever the faults of Wall Streeters, they are good gamblers. In this case they were playing for a sky-high stack. To help rescue the credit of Tammany's administration, a new city tax of 4¢ was placed on each share of stock sold, and on top of that, a 5% levy on the gross income of brokers. Disregarding Wall Street wails, New York state had already voted a 3¢ transfer levy on stock selling under $20 and a 4¢ levy on stocks over that; from these a take of $30 millions annually is estimated. State and city levies were superimposed on a federal tax of 4¢ on low-priced stocks, 5¢ on those of higher price.

Here were transfer taxes that could mean as much as $130,000 on each million shares sold. Big traders figured the tax costs and emitted piercing shrieks of protest. The financial district was in rebellion. State and city imposts could be escaped by fleeing over the New York line. The whole security business of the metropolis threatened to emulate Mr. Leacock's distrait cavalier who leaped into the saddle and galloped wildly off in all directions. Exchanges in other cities saw an opportunity and began cajoling large companies to list stocks on their boards.

It was Wall Street's bet. It saw the Tammany statesmen and raised. Both the New York Stock Exchange and the Curb announced that they were looking over sites in New Jersey. Tammany pooh-poohed and sat tight. Then the opposition shoved in a stack of blue chips as high as the exchange ceiling. It announced that the New Jersey Stock Exchange had been formed, that a site in Newark had been obtained. There was a tumult and a shouting. The cheers of Newark mingled with the protests of Wall Street realty interests which pointed out that buildings and property assessed at $478 millions were endangered.

The sanctuary to which the Exchange planned to flee had originally been dedi-

Acme

BLUFFERS BLUFFED—New York City thought Wall St. was bluffing when President Whitney threatened to move the Exchange to Jersey. Wall St. thought the Mayor was bluffing when he imposed the stock tax. The Stock Exchange, however, went through with its preparations, hired a hall in Jersey, tore down partitions, made ready to do its job across the river. The Mayor weakened, finally vetoed the tax. Here, Dean K. Worcester (tall, bareheaded) goes over the plans for moving the Exchange to Newark. At extreme left is Julius Rippel, Newark banker, working to bring the market to his city.

cated to trading in such lowly items as potatoes and smoked hams. It was Newark's $5-million white elephant, the huge Center Market. It faced Mulberry Street. Jersey spoke enthusiastically of the day when Mulberry would be as famous a street name as Wall, Threadneedle, or La Salle.

Advance Guard

An hour after the renting agreement was reached, a grim little band of men was seen trudging toward the Center Market building. They were officials of the Exchange, contractors, architects, draughtsmen—the advance guard which would begin transforming the market. They were too intent on their duty to realize that in saving its honor, the Stock Exchange had made a heavy sacrifice in dignity. The district is handy to downtown Newark, but immediately about the market are ramshackle 3- and 4-story houses scaling under too many coats of depressing red paint. The vanguard was greeted by the gay flappings of a 12-foot pair of pants which advertised the store and the business of one Katzin. Nearer, a white-aproned retainer of Patrick Galante, commission merchant, dozed among his bananas. Side streets were clamorous with gamins who would have been more presentable if they had blown their noses oftener.

Central Market itself was found to be a handsome concrete building of two stories and basement. It flopped years ago as a food exchange. Subsequent destiny was confessed in signs announcing parking space for cars at 5¢ an hour. The gable is adorned with the stone effigy of an amiable steer (not a bull) flanked by excellent portraits of squash and turnips.

Downing memories of the heroic stone gentlemen on the façade of the New York Stock Exchange, the vanguard pushed on and up stairs to a second story door. They wanted to establish here a G.H.Q. for the alteration period. A quizzical guardian of the premises blocked the way, inquired their business, refused to unbar the door when they told it. Here was a pretty how-de-do. A courier raced to a phone, called the mayor's office. Thereafter large, blue policemen appeared and somebody found a sledge. While blows broke in the door the guardian of the premises hovered about inquiring plaintively, "Is this Russia?" The invading party went in and to work, but over them were dark doubts.

The trouble was with the City Center Corp. This firm took over the market years ago promising to pay the city $20 millions rent over a period of 50 years. It tried to sub-lease space to food firms but couldn't make the plan pay. Thereafter the place was turned into a parking station. To date the corporation owes the city some $347,000 in rent and back taxes. Furthermore it is alleged that the leaseholders had been given notice to vacate and had agreed to do so on a day's notice. All this was before the City Center Corp. discovered that the fabulously rich New York Stock Exchange was angling for the property.

Through its lawyer, the City Center Corp. suddenly tied up the building with a writ restraining the mayor of Newark, the Stock Exchange, and everyone else from tampering. The lawyer's name was Atwood Wolf. By now the mayor's dander was up. Humming the theme song from "The Three Little Pigs," he marshalled his forces and gave orders to turn on the heat. Allied interests brought pressure which forced an immediate hearing. It resulted in a dissolution of the writ.

Exit Wieners, Enter Brokers

By Monday morning, sweaty but honest workmen were doing the things necessary to turn a meat market into a stock exchange. Rude hands wrecked the stalls where Piltz once vended his nuts and candies, and the enclosure from which Klank & Horner merchandised their pork and wieners. The building is ideal in that it has 50,000 sq.ft. of clear floor space that can be quickly divided for exchange purposes. Only 20,000 feet was set aside for the trading floor. Here 4 large trading posts were to be located (the New York Exchange has 17). The original plan was to start by trading in 25 of the most active stocks. Others were to have been bought and sold in New York until later.

In the midst of the alteration's roar, word was received that Tammany had weakened, that the taxes on stock transfers would be reconsidered, that the Exchange probably would not move after all.

Ace in the Hole

Probabilities are that the Exchange will hold on to the Center Market building. Terms are a $25,000 rental for the first year, with a 4-year option. Alterations will cost something like $200,000. Against these comparatively small sums is a huge tax threat. The building would be valuable as a future haven and a constant menace to overenthusiastic tax levy-ers. Complete capitulation of Tammany on city taxes would still leave the $30-million state tax, which flight to Jersey would avoid. Then, Incumbent-Mayor O'Brien is opposed in the imminent election by Fusion's Fiorello La Guardia, who has a large distaste for Wall Street and all its works.

Chicago traders grin reminiscently at the moves and counter moves in New York. They went through a similar

crisis about 10 years ago when a farm-dominated legislature proposed laws which the Chicago Stock Exchange considered too binding. With great ostentation, a building was leased at Gary, Ind., and the Board announced it would move. The politicians backed down and the Gary lease was allowed to die.

Texaco's Fight

Bitter proxy fight for control of the $500-million Texas Corp. is essentially a battle between two irreconcilable temperaments—the forthright and the reticent.

THE proxy fight for control of the $500-million Texas Corp. is being directed on the one side by Ralph C. Holmes, recently deposed as the chief executive officer of the company, and on the other by the Lapham family. Each feels the other speaks "Another Language." This underlying fact probably explains the feud, although detailed charges and counter-charges fill thick brochures, pamphlets, and publicity releases.

Protégé of Gates

Mr. Holmes joined the company in 1902, the year of its organization, when he was 26 years of age. He became the close associate, even the protégé, of John W. (Bet-a-Million) Gates, one of the founders. Mr. Holmes quickly developed a rare capacity for leadership of the forthright and individualistic sort. The company grew marvelously—became one of the two biggest outside the Standard family. Holmes became a powerful figure in the American Petroleum Institute, and a leader in the movement to police the industry through production prorationing. He frequently concerned himself with the state of the nation and is generally conceded to have contributed something to its betterment. On the other hand, he was a somewhat belligerent executive in his competitive relations with the rest of the industry.

Mr. Holmes now accuses the Lapham family, dominant in the affairs of the company, of obstructive and reactionary interference in all the plans and policies by which Holmes undertook to make the Texas Corp. and the oil industry prosperous. He says that the Lapham family, controlling less than 2% of the stock, have infiltrated the organization with relatives, won over the allegiance of executives, and one by one deposed executive heads of the corporation, beginning with John S. Cullinan, a founder, and ending with Ralph Clinton Holmes.

Lewis Lapham and his sons and a nephew who joined him in the management of the Texas Corp. never spoke the language of Gates, Cullinan, and Holmes. When Gates roared, Lapham whispered. The Lapham system was in keeping with the New England tradition of a stern and secretive management which minded its own business and planned the destiny of personal and corporate concerns in terms of generations. The one thing on which Mr. Holmes and the Laphams agree is that the two families cannot live in the same house.

A committee of stockholders associated with Mr. Holmes issued a pamphlet containing his grievances and demanded that the Board of Directors be increased from 13 to 25 to give the larger stockholders some measure of control of their property. The group which evicted Mr. Holmes last May promptly responded by increasing the number of directors from 13 to 15 and presenting the resignation of Henry G. Lapham, who is a nephew of Lewis Lapham.

This made room for 3 new directors representing important stockholding interests and apparently giving individual members of the board control of 2 million shares or approximately 20% of the corporation's stock. Of the new directors, Lester J. Norris represents the estate of John W. Gates and William H. Mitchell represents the estate of the late John Mitchell, Chicago banker and long a principal stockholder.

Battle of October 24

The Holmes group are seeking proxies calling a special meeting of the stockholders Oct. 24 to increase the board of directors and presumably to install a new management. If such a meeting is held, the business before it will be to decide on the one hand whether Mr. Holmes is undertaking to make a one-man company of the Texas Corp. in defiance of the board of directors and to commit the company to his private ideas of what is good for the industry and the world, and on the other hand whether the Lapham family, by proselyting and infiltration and by a consistently negative attitude, have hindered, embarrassed, and handicapped several able administrations, as Mr. Holmes claims his to have been. In the meantime, the Texas Corp. is just one of the many major business units that are being bedeviled by stockholders' unrest.

FLYING PULLMAN—Airplane designer William B. Stout once condemned the railroads for sticking to precedent and thinking in terms of "Civil War railroading." Apparently he was asked what he would do about progress if he were in the business and this is his answer. Built in the Stout Laboratories, the new railplane is designed on aircraft principles. It has a chrome-molybdenum steel tube frame, a shell of duralumin welded with wind-tunnel lines. It is powered with 2 automotive engines which drive the wheels of the front truck, can turn up 90 miles an hour because streamlining has reduced wind resistance 50%. At this speed, an ordinary coach would use 90% of its power overcoming wind resistance. It carries 50 people in air-conditioned comfort, weighs 25,000 lb. against the standard coach weight of 160,000 lb. Providing speedy, spacious transportation at a low rate per passenger mile, the Flying Pullman is another chapter in the railroads' answer to the airplanes.

What About Maturities?

Maybe, the market being what it is, there would be few new issues, Securities Act or not, but $250 millions of maturities by this year-end are an immediate problem.

A PREPONDERANCE of opinion among bankers and corporation executives and directors seems to be that under the Securities Act of 1933, it will be impossible to provide the billions of dollars normally needed every year to finance new industries and expand old ones, impossible also to find the funds with which to meet maturities of the funded debts of industry. Until recently there has been a general tendency on the part of all concerned to let nature take its course, confident that experience will prove the law has reached so far to protect investors that it has killed the capital market. But the dangers of this passive attitude are beginning to be realized.

Time for an Appraisal

Within the confines of practicability the investor is entitled to all of the protection the law undertook to afford. At the same time, the banker is probably correct in his assertion that under the law substantial financing is impossible. An appraisal of the factors involved therefore becomes essential.

In the last 5 years, domestic corporate financing in this country aggregated $26,550 millions, an average of $5 billions a year. Two of these years were boom years and 3 were panic years. Even so, perhaps the average is in excess of the capital needs of this country during the next 5 years if business returns to normal. Perhaps half of the $10 billions raised for corporate purposes in 1929 was wasted. Even on that basis, our capital markets would need to produce in excess of $4 billions a year for the next 5 years. The average in the 5 years ended with 1927 was almost $5 billions a year.

$5 Billions to Go

If it be true that no important financing can be accomplished under the terms of the Securities Act—and it is true so long as underwriters are afraid to work under it—then the $5-billion figure will stare us in the face from now on. It is the figure that must be kept in mind by those who suggest letting experience convince Congress that the law will not work and that business cannot survive without new capital.

Since the Securities Act became fully effective on July 27, security issues of a theoretical capital value of $225 millions have been registered with the Federal Trade Commission. No issue in the lot is of importance to the general financial structure. For instance, the latest list released by the Federal Trade Commission included the securities of 3 mining companies, 2 loan companies, 2 distilleries, a brewery, 2 oil companies, and a small printing company. Ever since the law went into effect, industry of the country has been confronted with $250 millions of maturing obligations in the last 6 months of the year. Little or nothing has been done about it.

It is said in defense of the Act that the present is no time in which to test its practicability. If the law is to be treated as an experiment, that is true. The capital market almost disappeared in March and even in the absence of the Securities Act there would have been relatively little financing done during July and August. It is fortunate that maturities this year and next are considerably less than the 5-year average. Nevertheless there were a quarter of a billion dollars' worth of securities to be met in the 6 months beginning July 1, and even that abnormally small aggregate is costly laboratory material.

Can't Dodge These

The strongest point bankers have made in their discussion of this problem has to do with maturities. Whatever we may do with our distressed and inadequately financed capital goods industries and whether or not we need immediate capital for the continued growth and expansion of business, maturities are unavoidable. The date and amount of them has been determined by acts done from one to 99 years in the past. When mortgages were drawn and securities sold, there was no more expectation that corporations could and would accumulate cash for their retirement than that banks would hold till money enough to pay all of their depositors on demand. It was assumed that maturities generally could be met only by refinancing.

If we eliminate the railroads which are among the largest customers of the capital market, railroads not being subject to the Securities Act, we find that during the last 5 years there was an annual average of $743,190,000 of industrial maturities in this country. While maturities are fortunately light next year, the totals over the next 5-year period will considerably exceed this figure because of the rapid expansion of the capital structure of business since the war. Such an aggregate of maturities is unavoidable. It is to be met either by refinancing or by default.

WON'T QUIT—William E. Humphrey (Republican), member of the Federal Trade Commission, refuses the President's request for resignation, says he can be fired, but only for cause.

An analysis of $413,251,000 of domestic industrial securities which matured in the first 6 months of this year shows that but 47.5% were paid; 27.3% were extended or exchanged; 25.2% were defaulted.

The ratio of business mortality was higher in 1932 than in any year since 1896, and the total number of failures, 28,773, the largest on record. A large part of those failures were owing to the inability of business to meet maturing loans, whether they were bond issues or notes payable.

Confidence is the basis of credit and the foundation of business. Business confidence today is shaken by the prospect of meeting large maturities under a securities law which the bankers and attorneys to business say is not workable. What industry asks is that if the law is workable, the fact be demonstrated and business convinced of it, and that if it is not workable, some agreement be reached immediately as to its necessary amendment.

Liability

Securities Act administration issues new rulings on recovery for losses to investors.

AN interpretation of the new Securities Act contained in correspondence issued by the Federal Trade Commission in-

cidentally clarifies one of the many questions in the minds of investment bankers. This has a bearing on the fear of bankers that not only were they liable to the original investor in case of market loss but might also be liable to those who suffer market losses merely as traders. The specific ruling in this case says:

"Traders whose specific transactions have been liquidated prior to the market's discovery of any fault in the registration statement would have no claim for market losses."

Specific Answers

Baldwin B. Bane, chief of the securities division of the commission, published a reply to an unnamed correspondent, giving, in effect, the following answers to three specific questions:

(1) Damages recoverable under Section 11 of the Act must be based on the cost of securities to the plaintiff and cannot exceed the price at which the security was originally offered. If the plaintiff disposes of securities at a profit, he cannot recover damages.

(2) It is possible but improbable that an underwriter may be liable for damages in excess of the aggregate amount at which securities were sold to the public.

(3) No liability is created by the omission of a material fact unless it is either an omission of a fact required to be stated in the registration statement or an omission of a fact which, omitted, renders the statements made in registration misleading.

While this correspondence affords scant relief or assurance to investment bankers it does indicate a general tendency on the part of the commission to make the registration statement the test of sufficiency and accuracy whenever the question of liability arises.

Distribution

Conference shows business interest in price-control questions.

THE annual conference on retail distribution, recently held at Boston, gave observers an excellent opportunity to note the radical change in psychology that is permeating American business. It also demonstrated the fact that ordinary problems of operation have been pushed into the background to make room for consideration of industry or trade codes, with chief interest centering on price control issues. It was also significant that, where a year ago conferees were thinking most about economy measures and ways of checking losses, this year better prospects seemed an accepted fact, and better means of cashing in on them the problem.

Discussion and questions raised indicated considerable misunderstanding of the various pricing policies that have been mentioned in connection with codes. Proponents of a minimum markup, such as is provided in the retail code (*BW—Sep23'33*), attempted to distinguish this method of avoiding losses from actual price-fixing. Opponents saw no difference.

Butter

The trade thinks pegging the butter market with government money helps packers, not farmers.

WITH the fiasco of the Federal Farm Board's operations in the wheat market still fresh in memory, the continual bidding for butter on the New York and Chicago markets with government funds supplied to cooperatives is being watched with considerable misgivings.

Increasing surplus of butter in storage is discouraging consumption. Prices appear to be above the consumer's purchasing power. Were this not so, the move to aid the dairy farmer might have greater support. As the situation is, butter dealers suspect the maneuvers will not help the farmer, but will merely "bail out" the meat packing and dairying interests who have stocked up on butter and found no outlet.

When the recent government report on butter came out, it disclosed an unprecedented volume in storage in the United States. The total Sept. 1 was 175 million pounds, or some 63½% more than a year ago and a gain of nearly 17% for August. Statistics for September indicate this total has been increased materially, which is entirely contrary to the seasonal trend. Production has far outstripped consumption. The oleo maker is getting the business because the price for butter is out of reach of the average consumer, the NRA notwithstanding.

So the butter trade is faced with the prospect of a $30-million aid from the government in an effort to maintain the prices which are restricting demand. The situation is apparent in the reduced volume of trading in butter for immediate and future delivery.

More Gas

Industrial pick-up sells more fuel gas, but dollar income still lags.

THE gas industry for the first time in three and one-half years is selling an increased volume of fuel—but for fewer dollars. And it is dollars which the certified public accountant deals with when he makes his survey of a corporation's books, and which pay interest and dividends.

The turn in volume—as it is hoped it

will be—came in August when the total sales of manufactured and natural gas aggregated 77 billion feet, or an increase of 4.4% over the volume in the corresponding month of 1932.

Not since April, 1930, has any monthly report shown an increase over the corresponding period of the year before. Even now, the improvement has been confined to the natural gas companies, for the total of those manufacturing the product is about the same as a year ago. Industrial activity is the answer.

Revenues continue to lag. For the industry as a whole, the gross in August is reported as $45 millions, or 2.2% less than a year ago. Producers of manufactured gas report a decrease of 5% in the dollar sales.

Even a continuance of the latest trend hardly will enable the industry to complete 1933 with a record better than that of 1932, since for the first 8 months of this year the cubic foot sales are 2.3% behind those in the corresponding period of 1932, while the dollar total is off 7%.

John Barleycorn's Return

Talk of a post-repeal liquor shortage seems to be exaggerated and there are ways to check price-hiking. But taxing the legalized flow is a delicate problem.

THE return of liquor to the society of polite industries is admitted even by the drys to be a matter of weeks. Thirteen years of exile lie behind old Rip van Barleycorn.

So much is being written about the repatriation of Mr. Barleycorn that the total is confusion. One hears that a powerful group is cornering all the aged whiskies to make a killing when repeal becomes a fact, that taxes and duty will be so high that bootleggers can still operate, that lack of adequate legal foresight will prevent orderly control and marketing. What are the important facts?

Washington wiseacres set Dec. 5 as the date of actual repeal. By then the 36th state necessary to remove the 18th Amendment from the Constitution is expected to have filed formal notice with the Secretary of State. Congress will meet on the first Monday in January. In the interim excise and import levies will remain as now. Each state must cope with the liquor traffic according to its own intelligence or prejudices. The Anti-Saloon League and other once-powerful dry organizations are watching the politicians who remember fearfully days when prohibitionists got about everything they wanted. Wiser wets realize that ineffectual control will guarantee future drives against liquor.

In 23 states liquor may be sold immediately on repeal, 11 states require legislative action, 14 states have prohibition in their constitutions. The Middle West generally agrees that state laws must include county option so that communities may vote according to their thinking habits. "The saloon must not return" is a popular cry. Commissions in Wisconsin, Indiana, Iowa, Minnesota and other states have indicated acceptance of the county-option idea. Illinois is now preparing control legislation which it hopes will be a model. In New York the Alcoholic Beverage Control Board—"the Beer Board"—will have charge of liquor until the legislature can enact new laws.

Most discussed of all questions is, Will there be a liquor shortage?

Skilful propaganda is promoting this frame of mind. It is valuable to gentlemen who are selling "repeal stocks," to other gentlemen who have grabbed available supplies and are upping prices. Actually there is no excuse for a shortage. "Blending" will stretch available holdings of aged whiskies. Imports at reduced tariff rates can check profiteering. The use of synthetic gins will increase if "red licker" rises unreasonably.

There are in the country 5 million gallons of 17-year-old liquors. This can be used as attar is used in the perfume industry. It will become an essence which skilled rectifiers can multiply into perfectly good whiskies—exactly the kind sold over most bars before prohibition. Blending is an art and each practitioner guards the secret of this formula. To the aged essence is added distilled water, alcohol, sherry, caramel for coloring. In the old days common practice was 2 gallons of real whisky in a 51-gallon barrel. (Many cheaper whiskies had even less.) This is multiplying the original drink by 25. Applying it to the 5 million gallons of 17-year-old stock would give an immediate supply of 125 million gallons. This would be a running start toward the 167 million gallons which were consumed in the United States in 1917. (In addition to old whisky, the country has 10 million gallons aged from 1 month to 4 years. Two-year-old stock is usually considered the minimum age for consumption.)

Vast quantities of fine old whiskies

Business Week

WHEN WHISKY COMES BACK—It may be aged in the wood, but it will probably be shipped in paperboard. Container Corp. of America developed this light shipping carton, already used by many distillers. It is pilfer-proof, moisture resistant, cheap, is the only one yet approved by the Bureau of Industrial Alcohol. Things have changed for whisky as for beer.

are now leaving their native Kentucky en route to Eastern centers where they will be blended, against the fact of repeal. One reason for the hurried outflow is a proposed state tax of $1 a gallon on withdrawals. To the Kentuckian blending is immoral, is prohibited by state law.

Distilleries Speed Up

Under lenient permits from the government, distilleries are speeding production. The output will not be immediately potable but must be warehoused for aging. This is not true of alcohol to be used for gin. U. S. Industrial Alcohol, National Distillers, Fleischmann and others are busily producing gin alcohol under government permits. Rum also can be expected to come to the celebrant's rescue if ryes and bourbons get too high. It can be drunk soon after it is distilled, since it lacks injurious oils which must be aged out of grain distillates. President Roosevelt is interested in reviving the St. Croix rum industry in the Virgin Islands. (One of his ancestors was in the business.) Of much greater potentiality are the cane sugar crops of Puerto Rico and Louisiana, which can be marketed in the traditional demijohns.

The President has had plenty of warning that booties and smugglers can still operate successfully if taxes and tariffs are too high. Lewis W. Douglas, Director of the Budget, wants a tax of $3 a gallon and the same figure as a tariff duty. There is now a tax of $1.10 a gallon on medicinal liquors and a tariff of $5. These will remain in force until new legislation is passed. A $3 tax or tariff would mean 75¢ a quart, should allow retail prices of $2 a quart or thereabouts. If present holders try any bold hiking of prices there will be plenty of pressure to reduce the tariff for foreign inflows.

Prospective Imports

Foreigners purr at the prospects. Canada has in stock 25 million gallons of whiskies, Scotland has from 30 millions to 60 millions, Ireland 2 million to 9 millions, England about 4 millions. To that must be added Continental cognacs and brandies. There is talk of American corners in these foreign supplies.

Total federal revenues from the revived industry are estimated at $700 millions annually by Sen. Pat Harrison. About $500 millions would come from liquors, $200 millions from beer, a comparatively small amount from wines —on top of state taxes. It is up to Congress to find the perfect compromise on imposts—a figure low enough to obliterate the bootlegger, high enough to produce a huge revenue. Beyond that it must decide about control in the District of Columbia, Alaska, and island possessions directly under the federal wing.

Soibelman

BELGIUM'S HOLLAND TUNNEL—New York and New Jersey motorists would feel right at home in the new vehicular tube under the Scheldt connecting Antwerp with the undeveloped land across the river. American engineers who worked on the New York and Detroit tunnels gave it that American look. It's over a mile long, has the guard walk, traffic and ventilation systems of its American predecessors. Another tunnel cares for pedestrians and the ubiquitous cyclists.

Germany's AAA

Hitler organizes agriculture, fixes minimum grain prices, threatens punishment if acreage is increased.

BERLIN—A law promulgated in Germany by the Hitler government on Sept. 15 grants the Federal Food Minister, Dr. Darré, extensive powers to regulate production, distribution, and prices in agriculture and the "processing" industries. This act, and the authority granted under it, presents interesting analogies with the powers granted to President Roosevelt under the AAA.

Dr. Darré is authorized to form compulsory organizations of farmers and other agricultural producers, or to compel farmers to join already existing organizations and unions. For some time, Nazi farmer leaders, in a vigorous propaganda campaign, have been urging the necessity of building a strong "farmers' syndicate" to oppose the powerful industrial cartels into which big business is organized. The new law looks like a materialization of these aims.

To what extent the Food Minister will avail himself of the extensive powers granted by the German Agricultural Adjustment Act remains to be seen. He has, however, in a recent speech announced the intention of the government to "extricate" the German farmer from the ties of capitalist economy by securing him "an adequate and fixed price" for his grain (no mention has yet been made of other products. This statement is significant inasmuch as it indicates a shift in Nazi agricultural policies. Some weeks ago it was announced that it was not the intention of the government to guarantee German farmers a fixed price. This, it was then argued, was rendered unnecessary by the success of the Nazi agrarian measures. The failure of the French attempt to guarantee a fixed wheat price to farmers was widely quoted at that time in support of this viewpoint.

The change in the view of Nazi leaders must have occurred recently, probably under strong pressure from agrarian interests when it was realized that the complete prohibition of foreign grain imports (except in exchange for German grain of inferior quality) could not prevent a fall in price in the face of an abundant domestic crop which more than covered Germany's entire requirements this year.

The price guarantees now proposed by Dr. Darré are not unlimited. They do not apply to any quantities which the farmers choose to deliver, but only to a certain quota proportionate to Germany's own requirements. In view of this, Dr. Darré addressed a serious warning to the farmers not to increase their grain acreage. Wheat sowings must be reduced and, wherever possible, barley should be substituted because Germany does not yet raise enough to meet domestic demands. If this warning should not be followed, Dr. Darré pointed out, the government will be forced to regulate acreages as well (and thus complete the analogy with the Roosevelt AAA).

Barriers to Japan

Electric light bulbs and rubber-soled shoes from Japan come under anti-dumping ban.

CARGOES from Japan were under special scrutiny at all United States ports this week. If there are any electric light bulbs or rubber-soled shoes in a shipment, they come under a new Treasury ruling which demands that they pay an "anti-dumping" duty of 30% and 35%, not on their quoted cost price in Japan but on their selling price in this country.

There was little surprise among the customs collectors when they received the brief memorandum from their superiors stating that "the Secretary of the Treasury makes a finding of dumping in the case of incandescent electric light bulbs and lamps from Japan" and in the case of rubber-soled fabric-topped footwear from Japan." Protests were vigorous from American manufacturers more than a year ago, and the Tariff Commission has been investigating the problem since then.

In July, the last month for which itemized import figures are yet available, more than 7½ million electric light bulbs came into this country, most of them from Japan. Imports for the first 7 months came to 58,494,480, worth $388,470. In the same period last year, imports ran to 56,125,924 lamps, valued at $704,175.

American manufacturers claim that Japanese products can be dumped in this market because: (1) labor costs in Japan are only a fraction of the costs in this country, even at present low levels; (2) yen exchange is still depreciated far more than the dollar.

Germany Threatened

Reich's electric light bulb manufacturers want to bar Japanese bulbs on patent ruling.

BERLIN—Germany has suddenly become conscious of the Japanese "threat" in export fields.

German industry is heavily dependent on foreign markets to absorb a large part of production, but in recent years nearly 70% of exports have gone to

neighboring European countries. Having lost its colonies after the War, it has had no colonial protests of dumped Japanese products such as the Dutch, British, and French have had to face.

When Japanese freighters recently tied up at neighboring Rotterdam and unloaded steel tubes and bicycles, German industry sent out an alarm.

Now the incandescent lamp manufacturers have raised a cry over the loss of important markets to the Japanese. They claim it is due to the competition between rice and bread-and-meat standards of living (in addition to the depreciated yen), and that competition will not be confined to Germany's export markets but will reach Berlin itself. Until now, invasion of Japanese electric light bulbs was barred not so much by tariffs as by certain basic patents. The most important of these patents (covering the Wolfram thread of the bulb) expires Oct. 6, 1933.

Manufacturers want an amendment to German patent law which will cause the life of a patent to run from the date of award rather than from the day of application for the patent. Since in the "test case" of electric lamps, the examination of the patents in question took about 2 years, the German industry would be granted a corresponding respite.

Fighting Locusts

Locusts are a really formidable pest which the Argentine fights with miles of metal barriers, many of which have been purchased in the United States.

THE report in a recent issue of *Business Week* (*BW—Sep16'33*), that the Argentine had purchased 13,350 tons of galvanized sheet iron, worth $1,350,000, from the American Sheet & Tin Plate Co., subsidiary of the United States Steel Corp., to be used in erecting barriers to protect crops from swarms of locusts, caused some speculation. How far would this order stretch? How high does the barrier need to be to be effective? What is done with the locusts when they are stopped in their attack on crops?

Statistics from the Argentine are most impressive, in part because they are most complete but also because the locusts have appeared quite regularly there in recent years.

There is a division of the Argentine government called the Central Commission for Defence against the Locust, which has been working for more than 20 years to stop locust invasions into northern Argentina from waste regions in Bolivia and Paraguay.

It was discovered that the life of the locust, which averages 220 days, can be divided into 3 periods: the larvae period, the period extending up to 60 days when the locust can hop but not fly, and finally the last stage when wings develop and when it is almost impossible to stop the advance of a swarm.

Argentine farm officials found that they could erect barriers from 12 to 18 inches high and stop the advance of the locusts during the "hopper" period. A trench is dug in front of one of these barriers and as the locusts pile up in it they are sprinkled with poison and burned. Occasionally, where barriers cannot be erected quickly enough, bran mixed with poison is sprinkled in the path of the advancing pests.

Some idea of the seriousness of the locust invasion is possible from one report from the Argentine following a locust plague. After the army had passed, officials who had attempted to stop the advance accounted for 1,240 tons of flying locusts, 1,550 tons of larvae, and 60,124 tons of hoppers which had been stopped by the low metal barriers and killed. The same organization reports that the greatest handicap in combatting the pest is the ability of the female to lay 600 to 800 eggs at a time and repeat this process so often that in one year's time, a single locust may produce from 150,000 to 400,000 offspring.

The Argentine placed the first big order for galvanized sheets in this country about 10 years ago. It amounted to 43,000 tons, or 15 million sheets, each 18 inches high. This quantity is sufficient to erect a barrier more than 14,000 miles long.

Home Loans

While mortgage holders balk at bonds, mortgage companies swell roster of new banking system.

THE Home Owners' Loan Corp., with $200 millions capital and authorized to issue $2 billions in bonds, is not functioning effectively because mortgage holders prefer even their distressed mortgage deeds to the bonds. Uniform state legislation is needed to permit insurance companies and banks (and bank conservators) to exchange their mortgages for bonds. It is not improbable that, to ease the home mortgage situation, there will be liberalizing legislation of this type next winter. If a sharp demand for mortgage money to finance construction of new homes should develop, it would immediately stimulate the exchange of mortgages for bonds because of the greater saleability and borrowing power of these bonds.

Surprising progress is being made by the Federal Home Loan Bank, which acts in almost the same relationship to building and loan associations, savings banks, insurance companies, and home mortgage companies as the Federal Reserve system does to the commercial banks. The membership of mortgage associations in the Home Loan Bank system now is 1,694 as contrasted with 116 on Jan. 1. The system has $140 millions capital, about the same as the Federal Reserve, and has loaned out $60 millions, or equal to about 30% of the total bills discounted by all of the Federal Reserve banks.

ANTWERP-LIEGE CANAL—A section of the new waterway now under construction. Belgium sees it as a stimulus to the industrial interior and to Antwerp, a possible irritation to the Dutch who have hemmed in the country from the sea, a moat in time of war by which the North could be flooded.

Business Abroad

All Europe awaits word from Washington on currency policy; gold standard countries in tight position. Germany bolsters security market. French exporters demand government relief. Britain anticipates dollar devaluation before mid-November.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—If it had not been generally realized before that the destiny of Europe was closely tied up with the success or failure of the Roosevelt plan in the United States, it was this week.

With the foreign exchange value of the dollar slipping seriously, though not touching last week's low, and with the pound sterling following tenaciously, it has become evident to the gold standard countries that their position is almost untenable. Unless the price-raising part of the Roosevelt program reasserts itself, and promptly, they will very shortly be forced off gold. On the other hand, out-and-out devaluation—generally considered imminent—will place them in an almost equally embarrassing position. Germany is still drawing gold from France, and the open London market is amply supplied with orders from the Continent.

France, heart of the gold group, has reached the point where industrial deflation is a necessity if the country is to maintain export trade and avoid currency devaluation. In Paris all week, financiers watched Roosevelt, hoped for a definite statement on financial policy.

With currencies tobogganing, anti-dumping policies came to the fore. Germany, France, Holland, and Italy all made plans to raise tariffs to compensate against low-priced imports from, especially, the United States and Japan.

Politically, there was comparative quiet. Actually, there is little confidence that the lid is on the Austrian situation for long. Off again, the situation in Central Europe could become extremely tense on very short notice.

Great Britain

London expects dollar devaluation by mid-November. Gold prices eased from last week's high. Travel innovations.

LONDON (*Cable*)—Eventual devaluation of the dollar is considered inevitable in the City, and is expected sometime before the middle of November.

Speculation on devaluation prospects are rampant. London thinks that if the dollar is devalued to 50¢, the pound must follow the same course, though it is the hope of the financial group that the pound can be maintained about midway between the ultimate stabilization point of the dollar and the franc. This would safeguard London as a monetary center. It is also believed that if any Anglo-American bargain is reached for bringing the dollar and the pound to a new 50% of parity level, all remaining gold standard currencies will be pulled off the standard, something which central bank opinion in Britain opposes because of the exchange chaos which would result.

Demand for Gold

The gold market reflected the uncertainty. The price in the London market fell from the high of 133s 9d on Sept. 20, but was maintained at more than 132s. Demand from the Continent was persistent. Despite the activity in gold, the mining share market was depressed because of the labor troubles in the Rand. Miners are expected to win their demand for a 15% pay increase. The price of gold in the open market is now more than 50% above the former fixed gold standard quotations.

Business is still optimistic this week, though the stock markets have turned hesitant and volume of turnover is small. Chief factors causing this hesitancy are the anxiety over the future of the dollar, and fears of trouble in Europe. London is decidedly skeptical this week on the possibility of Chancellor Dollfuss being able to hold his post in Austria. Any change in that country at this critical time would almost surely cause trouble.

Automobile Boom

The automobile business, which has been showing new signs of activity for several months, is still good. The Standard Motor Co. has announced that it will soon offer on the British market a new 9-HP model, deliberately aimed at the market which Ford has been cultivating with the Ford-8. Characteristics of all new British models this fall are roominess, road-worthiness, and foolproof gearshifts.

In the textile regions there are new signs of labor troubles. Workers are refusing to continue the experiments with the more-loom system until employers offer better guarantees that they will observe their end of the bargain.

Financial London was a little surprised this week when the government made its definite announcement of the forthcoming conversion loan. Only £150 millions will be offered, including the outstanding 4½% treasury bonds, though at least another £150 millions in maturities will come due by next April. New offering is priced at 96, and will pay 2½%.

Many Tourists

Mainly because of an unparalleled continuance of summer weather in England, vacation travel has been unusually heavy. Throughout the British Isles a sense of security and confidence in the business outlook, engendered to a large extent by lowered unemployment figures without recourse to inflation or budget unbalancing, has encouraged free spending. The steamship companies have to a large extent met losses caused by the decline in international shipping by arranging cruises to near and far foreign countries, at rates to suit all classes of the community. Income from this source has exceeded £20 millions.

Railroad companies, seeking more of the vacationist's money, have instituted a novelty in "Tours by Train." The customary unit of equipment will accommodate 30 people. Provision is made for a private sleeping compartment for each, dining car, baths and lounges. The train tours the lake districts, points of historic interest and the cathedral towns. It travels mostly at night, leaving the daytime for motor trips or visits to points of local interest.

Regular deliveries of mail and newspapers are made on board, with provision for telephoning and telegraphing. The innovation has proved successful and will be elaborated next year.

France

Destiny of France rests with Roosevelt. Gold standard bloc no longer confident. Exporters demand government relief.

PARIS (*Wireless*)—It can almost be said that the destiny of France is in the hands of President Roosevelt. His policy on dollar devaluation will determine the future of French policy. Just now, everything is in the greatest confusion. If the United States is able to raise price levels at home, and carry prices in other leading countries with them, all will be well and good. Should price levels relapse, France is in the worst possible technical position in spite of the Bank of France statement recording more than 100% gold against currency in circulation, and a record of 79.91% against sight liabilities and with present easy government credit illustrated by the new 200 million franc lottery loan. Government schemes to fix prices at profitable levels through government subsidies

simply means that expenses are increasing at a time when income is declining and when there is small prospect of raising new taxes.

The seriousness of the domestic situation was brought home to the government this week by the appeal of a group of exporters who asked government help. Exports have dropped 60% in 4 years. In Britain and the United States, 2 great competitors on world markets, currency values have depreciated more than 30%. Germany is another bitter competitor and the German government is allowing the use of blocked marks in meeting export bills, and these blocked marks are selling at discounts up to 50%. Frenchmen claim that the situation is already impossible and there are no signs that it will be corrected unless the government can rigidly bargain all French foreign orders against corresponding purchases of French manufactures.

Despite the gold stocks of the Bank of France, there is a vast amount of hoarding within the country and no small amount of buying of commercial gold in the open London market where no questions are asked of the purchasers, and no names recorded.

Germany

Government gives support to securities markets. Eye-for-an-eye policy in foreign trade. Government will supervise—and tax—advertising.

BERLIN (*Cable*)—If government attention last week was focused on the farmer and the evolving German AAA program, this week it has focused on efforts to boost the bond market and revive confidence in securities.

Following the slump in both bond and share prices with the dumping of both by émigrés fleeing the country and eager to take as much cash with them as possible, and with hurried sales by anti-Hitler groups abroad, there has been a considerable recovery. Two methods have been adopted by the government to stimulate confidence. There has been open market buying by the Reichsbank and a definite effort made to refund troublesome communal debts, now one of the most depressing factors to bond price recovery. Beyond these 2 efforts, a new subsidy of half a billion marks has been appropriated to stimulate the repairing of houses in the early winter months. This will help to absorb more of the unemployed within the ranks of the building industry and maintain the slowly improving purchasing power of the public.

If Germans are running into all sorts of barriers to their products in world markets, they are pursuing an equally aggressive trade policy at home. Import contingents were first instituted in a vain effort to curtail purchases and expand sales in order to build up a favorable balance of trade sufficiently large to maintain payments on the foreign debt. As the world slipped further into the bog of depression, other countries whose products were barred by Germany set up retaliatory tariffs or quotas. This week, Germans made it plain that they would put their foreign trade on a bargaining basis if necessary—placing orders in those countries which still buy from Germany. And against the products of depreciated currency countries new tariffs were raised. These included higher duties on American typewriters and calculating machines, and on Japanese electric light bulbs.

Advertising Is Taxed

A law promulgated recently marks another step in the direction of governmental regimentation of business activities in spite of the "respite" which business was promised some time ago in this respect. It stipulates that all kinds of advertising has to be licensed by the Ministry of Propaganda, which is to organize a National Advertising Council. Members of this council will be appointed by Dr. Goebbels, Minister of Propaganda.

Present advertising activities in Germany, the Minister claims, lack not only efficiency but also central direction and leadership. It is necessary also to raise the general standard of advertising, increase its "truthfulness," prevent false statements and exaggerations. To do away with the prevailing "swindel" in respect of published circulation figures will also be attempted by the new Council.

Business, not consulted before the law was created, is particularly concerned that the licensing fees which the Ministry is entitled to levy (the rates have not yet been fixed) may increase the cost of advertising at a time when advertising must be considered as a major stimulant of the much hoped for recovery.

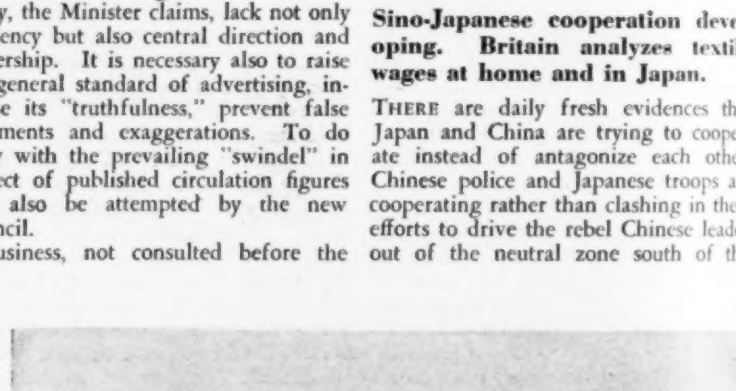
Skeptics believe that these fees are one of the main reasons why the Propaganda Ministry has suddenly showed such an interest in business advertising. It is the "baby" among ministries and, notwithstanding the importance which the Nazis attach to propaganda, it constantly has to fight the Ministry of Finance for fresh appropriations required to carry through the grandiose plans of its young and ambitious head (Dr. Goebbels is 32—the youngest in an unusually young cabinet). This surmise is supported by the fact that the fees collected from advertising agencies will not flow into the Treasury but will feed the Propaganda Ministry's own budget.

It is reported from reliable sources that these funds will be used to finance "Buy German" campaigns in Germany and also to fight foreign boycotts of German goods abroad.

Far East

Sino-Japanese cooperation developing. Britain analyzes textile wages at home and in Japan.

THERE are daily fresh evidences that Japan and China are trying to cooperate instead of antagonize each other. Chinese police and Japanese troops are cooperating rather than clashing in their efforts to drive the rebel Chinese leader out of the neutral zone south of the



Wide World

FRENCH BID for the express luxury traffic on the North Atlantic. The *Normandie*—75,000 tons—is being completed at the St. Nazaire shipyards, may enter the French Line's service next year if transatlantic travel picks up sufficiently.

Great Wall. So long as there are no clashes between troops of the two regions, the boycott against the Japanese is increasingly less active. Sales of Japanese goods in most parts of China except the Canton region are slowly increasing. There are noticeable efforts in both Nanking and Tokyo to improve relations.

The struggle between British and Japanese manufacturers, especially of textiles, has not been eased. Samuel Montagu & Co., London bullion and foreign exchange brokers, recently published the results of a study which they have made of comparative wage conditions in the rayon industry in the 2 countries.

	Japanese	*English*
Male Worker*....	£0-0-20d	£0-12-10$\frac{3}{4}$d
Female Worker ..	0-1-$\frac{3}{8}$d	0-5-8d

In Japan, spinners work a 10-hour day; in Britain, an 8-hour day. The same comparison can be made between the rubber goods, bicycle, and electric bulb industries in the 2 countries. British workers are receiving on an average 5 times as much as the Japanese workers.

It is reported from Tokyo that the Japanese government plans to make the country's dye industry independent of world imports. A subsidy of ¥300,000 is included in the budget this year to finance special research. Major dye imports come from Germany, Switzerland, and the United States.

Latin America

Mexico's major oil port in hurricane path. New sugar plan will benefit Cuba. Sugar growers may discuss world accord.

WORSE than any of the blows out of the Caribbean this year was the one which hit Mexico's very modern oil port at Tampico and virtually ruined the city. Floods followed the wind. Accurate estimates of damage are still lacking but trade through the port is at a standstill.

Only a little less important to Central American trade is the report from Washington that President Roosevelt has approved a new sugar agreement which increased the quotas for the Philippines and Cuba and, in the case of Cuba, allows the President freedom to vary the quota as conditions demand. This, if it is finally approved, may allow for profitable negotiations with Cuba in the present crisis.

Sugar was also discussed in London this week when the British Prime Minister and the Dutch premier discussed plans for reopening certain sections of the World Economic Conference. A world plan for sugar restriction was discussed. Tea and rubber restrictions, modeled after the successful wheat accord, are expected to follow.

The Figures of the Week

Except for the spread of strikes, the horizon is clearing again. Steel is steady as price increases drive in late specifications. Rail business may prove a sugar-coated pill. Construction is expanding, velocity of bank deposits rising.

Code formulation is now ceding its place in the foreground of business interest to the job of adjusting daily practices to provisions of the new régime. Uncertainties born of unknown burdens likely to be imposed by the codes are gradually lifting. Buying is once again being resumed as consumers become reconciled to such price increases as seem justified under the new order. The Administration, at last aroused to the importance of stimulating the capital goods industries, is turning its attention to finding ways and means of enabling the railroads to purchase about a million tons of rails. September construction volume is being well sustained at a rate above that of August. Carloadings are recovering from the temporary set-back of Labor Day observance. Retail sales are expanding following the slump induced by a spell of rainy weather. The spread of strikes is the chief threat to the resumption of better business volume.

The four leading rail producers found themselves in somewhat of a predicament this week when the Administration offered to fill their long-empty Christmas socks with a tempting order providing they would compete for the business at a level below the $40 a ton rate now posted. Mindful of the long idleness of their high-cost mills, steel men are being sorely pressed to accept the gift, possibly at about $38 a ton. Railroads, too, are somewhat embarrassed by the offer. Even though annual purchases of rail which used to run around 2 million tons fell to less than 403,000 tons in 1932, the tremendous slump in traffic and earnings has threatened to bankrupt the roads and has tempered their yearning for new equipment. With the code imposing even higher costs on steel mills, necessitating recent increases in prices of $2 per ton on plates and shapes and $3 a ton on bars, the request for a reduction on rails seems a bit untimely. At this rate bars are $38 a ton, plates and shapes $39 a ton Pittsburgh. No wonder the mills are reluctant to shave the price of rails which they claim are a more important product from the point of view of standards demanded.

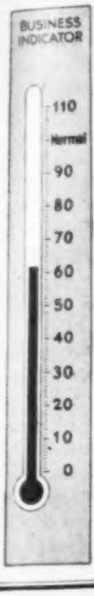
Motor Victory

Production schedules may hold at the present rate or even expand as consumers become convinced that steel prices are due for a rise instead of being maintained at the third-quarter level, as was generally believed some weeks ago. Buying in excess of needs is said to be disturbing the mills. The fabricating trade, notorious for cautious buying, now ventures to make purchases for stock before the new rates and trading terms go into effect. Under the code, contracts in steel will become as stringent as those for pig iron, a procedure long desired by the mills but evidently impossible to achieve before the present day of fair practice regulations.

Pressure of the automobile industry for better freight terms than the all-rail charge that was planned resulted in a victory for the motor men who will be charged a fixed rate to Detroit of 15¢ per 100 pounds on bars, 20¢ on hot rolled strip and sheets.

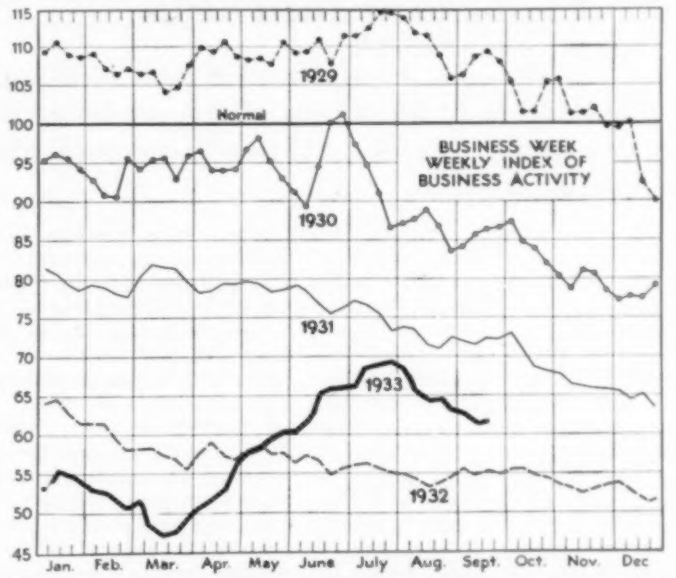
Business Week Weekly Index of Business Activity	Latest Week	Preceding Week	Year Ago	Five-Year Average (1928-1932)
	*61.5	†61.2	55.2	
Production				
Steel Ingot Operation (% of capacity)	40	40	17	55
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks' basis)	$3,938	$3,896	$5,275	$13,187
Bituminous Coal (daily average, 1,000 tons)	*1,195	1,289	1,024	1,469
Electric Power (millions K. W. H.)	1,639	1,663	1,491	1,656
Trade				
Total Carloadings (daily average, 1,000 cars)	109	109	98	153
Miscellaneous and L. C. L. Carloadings (daily average 1,000 cars)	67	67	66	99
Check Payments (outside N. Y. City, millions)	$3,078	$2,641	$3,051	$5,186
Money in Circulation (daily average, millions)	$5,623	$5,625	$5,660	$4,981
Prices *(Average for the Week)*				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.90	$.87	$.49	$.80
Cotton (middling, New York, lb.)	$.100	$.099	$.075	$.124
Iron and Steel (STEEL, composite, ton)	$31.23	$31.23	$29.32	$32.93
Copper (electrolytic, f.o.b. refinery, lb.)	$.088	$.088	$.060	$.111
All Commodities (Fisher's Index, 1926 = 100)	71.6	71.1	62.4	82.1
Finance				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,374	$2,351	$2,262	$1,535
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$16,592	$16,580	$16,859	......
Commercial Loans, Federal Reserve reporting member banks (millions)	$4,857	$4,823	$5,296	......
Security Loans, Federal Reserve reporting member banks (millions)	$3,703	$3,773	$3,974	......
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$825	$890	$408	$3,175
Stock Prices (average 100 stocks, Herald Tribune)	$99.03	$102.62	$90.63	$144.11
Bond Prices (Dow, Jones, average 40 bonds)	$84.32	$86.01	$81.54	$91.27
Interest Rates—Call Loans (daily average, renewal) N. Y. Stock Exchange	.8%	.8%	2%	4.3%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	1¼%	1¼-1½%	2-2¼%	3.8%
Business Failures (Dun and Bradstreet, number)	259	275	529	461

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For details of statistical methods, write the editor.



Official count of automobile factory sales for August yields a small increase over the July total of 233,088 cars and trucks. Passenger cars leaving the factories in August totalled practically the same as in the preceding month, the gain being due chiefly to trucks. Production schedules for September may result in some reduction in the total assemblies below the 200,000 estimated previously, though not by much. Strikes in a number of the major motor plants are proving troublesome. Ford has reduced hours in his plants to 32 per week, planning to lift them to the code maximum of 35 hours after 6 weeks. Minimum hourly rate at the Ford factories is 50¢ against the 43¢ required by the automobile code. Increases in the hourly rate of production line employees recently lifted wages from \$4 to \$4.40 per day.

Construction Revives

Another important industry long in the doldrums and now receiving special attention from governmental authorities is construction. Funds have been available for the stimulation of the public works division, but volume of contracts gotten under way has been small August, the peak month of 1933, netted little more than \$106 millions of awards of all types in the 37 states reporting to F. W. Dodge Corp. Less than half of this sum, \$51.4 millions, represented public works and utility awards. While this was a sharp increase over July, the volume is still insignificant. But September promises more of the long-needed expansion, for in the first 12 days over \$24.7 millions of public works and utility contracts materialized. Still, this is at a rate 25% below a year ago, and only 8% above August.

Non-residential construction is showing an encouraging revival. Awards exceed \$19 millions for the first 2 weeks of September, a 31% improvement over the August daily rate, and as much as 10% above a year ago.

Even residential building, the best performer of all this year, is having an additional spurt before the snow flies. Contracts valued at \$11.5 millions mark a daily rate 18% above August and nearly 5% above a year ago.

The sum total of these 3 main divisions of building activity reaches well above \$55 millions as a September starter, a 17% gain over the August daily average, but unfortunately, a 9.7% loss from the September average of last year, due to the sluggishness of public works.

Soft coal production increased somewhat following the slump of the holiday week, but not sufficiently to bring it up to the pre-holiday level of nearly 8 million tons a week. Anthracite output reached the peak of the year during the Sept. 16 week with 1¼ million tons.

Electric Power Down

Electric power production took a sudden drop for the week ending Sept. 23, leaving the spread from 1932 at 9.9% compared with 12.7% the preceding week. Eastern and Central states reported the sharpest declines from the preceding week, while Southern and Western states showed but slight improvements. The 62% increase for the Rocky Mountain states reported last week proved to be an error; the gain over a year ago was 27.6%.

Railroads are anxiously peering at the carloading reports each week, hoping that the expansion which has characterized freight traffic since March may continue well beyond the usual October peak. If rails are to be bought, there will be urgent need for more income. The first 57 roads to report August income have a net operating income slightly lower than in July but nearly 98% above a year ago. Traffic during the week ending Sept. 16 improved after the holiday week to within striking distance of the high of the year.

Deposit Velocity Rising

The peak of check transactions for September occurred during the week ending Sept. 20 when it rose above the \$3-billion mark for the first time in 6 weeks. However, since the week contains the mid-month day of payroll and trade importance, the expansion is normal. Of greater significance is the velocity of turnover of bank deposits which, the Federal Reserve Board points out, increased from 17 times a year in March to a rate of 22 times annually in July.

Important too, is the return of currency from hoarding rather than from circulation, indicated by the fact that the decline in circulation of bills of \$50 denomination and larger from February to July amounted to 26%, while that of \$10 and under declined but 3%.

While the general level of wholesale prices has fluctuated within narrow limits since July, farm products have declined steadily from 62.7% of the 1926 level to 55.9% during the Sept. 16 week. In the past few days, there has been no reversal of this sagging tendency except for occasional recoveries. Cocoa, coffee, hides, sugar, wool, and tin prices declined. Hogs, silver, cotton prices rose. Other non-ferrous metal prices were steady; finished steel prices are higher.

The Financial Markets

A week of vigorous Administration activity to get us out of the doldrums. Strenuous efforts are being made to increase credit. Stocks and bonds are weak and commodities are lower.

Money

Disturbed by several weeks' decline in security and commodity prices accompanied by sagging business activity, Washington swung into action. The Farm Credit Administration offered closed and restricted banks in the farming regions new loans on farm mortgage collateral and began the development of new farm credit production corporations. The Agricultural Adjustment Administration decided to transfer 100 million pounds of pork and $75 millions of farm commodities from the surplus-laden farms to homes of unemployed, and got busy on cotton acreage reduction plans for 1934, sales of collateral cotton, cotton loans, the raising of the pig quota, and export bounties on wheat. The Federal Home Loan Board announced a membership of almost 1,700 with a line of credit of $177 millions. Secretary Ickes promised to cut red tape on federal grants and loans for municipal projects, urged a mayors' conference to take advantage of the public works opportunity. The President announced that the R.F.C. stands ready to lend railroads enough to buy 700,000 tons of steel, more than the aggregate railroad purchases in 1932.

The security markets had to digest these moves, supplemented by news that $50 millions is to be spent on army houses, $25 millions for construction of subsistence homes, $50 millions lent to Russia to buy cotton and machinery. What with the usual problems of foreign exchange, talk of the imminence of stabilization, the possibility that France would abandon the gold standard, and the rumor that plans are on foot to bring all industrial nations back onto the gold standard simultaneously by concerted action, Wall Street is a bit dazed.

Sentiment Improves

The net effect is a reversal of sentiment. In place of hesitancy, expectancy, and lack of confidence mingled with some fears, feeling has now perceptibly improved. The R.F.C. has even decided it is an auspicious time to sound out the money market on selling some of its long term municipal-project bonds, though it must be reported the suggestion was received coolly.

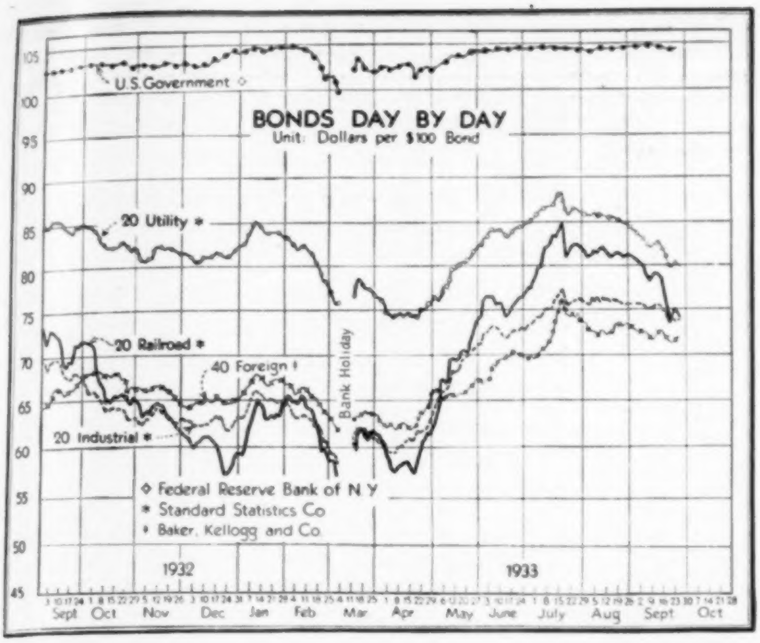
There is less gibbering about greenback inflation. Somehow the impression has been conveyed successfully to the Street that the President has cold-shouldered all inflation by snubbing the agrarian delegation that proposed currency inflation to increase cotton prices. Comfort is drawn from Secretary Wallace's speech to the grain dealers, though Wallace took the occasion to quote the President as saying that "those who have borrowed money will be able to repay that money in the same kind of dollar that they borrowed." In any event, the Street feels better. The fact that devaluation is now in the offing has ceased to be a scare but is now looked upon as the next "constructive" move.

Investors are preparing to deal with this eventuality. With the United States back on a gold basis, a large volume of capital would be repatriated with what is expected to be an inflationary effect on domestic securities. However, investors remain cautious. Present security prices, still well above the July lows and considerably above the low of the year, provide an opportunity to dispose of dubious holdings.

That prices are moving less hectically and somewhat in balance with each other is indicated by Department of Labor reports for August which show wholesale prices up less than 1%, and retail food prices up 0.3%. The National Industrial Conference Board estimates the August increase in the cost of living of wage earners at 2.3% but it will be recalled that August payrolls had increased 11.6% and employment was up 6.4%.

Tenders for $100 millions 91-day Treasury bills were oversubscribed to the tune of $257 millions and were awarded on an average rate of 0.11%.

The extent to which business has attempted to overcome the credit shortage is revealed by the Federal Reserve Board in a discussion of the velocity of bank



credit during July. Demand and time deposits turned over in July at the rate of 22 times a year as compared with 17 times in March, an increase in velocity of 30%. It must be remembered that between March and July industrial production increased 60%, payrolls 40%, and deposits in member banks in 40 leading cities less than 10%. Credit for all banks declined. No wonder the Board says: "This increase in turnover has in fact been a more important factor in financing the increased volume in business activity than the actual growth in volume of deposits."

The proposal of the R.F.C. to buy preferred stock in large city banks so as to make it easier for small banks to accept this help is meeting with skepticism in New York and suspicion in Chicago. Chicago bankers see in the scheme a device for government control of the large city banks. New York bankers pooh-pooh this notion but are not enthusiastic for the proposal.

Bonds

THE bond market split this week. High-grade bonds went up and low-grade bonds declined in sympathy with the stock market. The Chicago & North Western 4¾s 1949 dropped from 38 to 26 and then rallied to 32, typical of the violent fluctuation to which second-grade bonds were subjected.

The strength of high-grade issues emanated from continued purchases by the Federal Reserve banks. The pressure that these purchases are exerting is indicated by the increased volume of excess reserves which has now risen to well over $600 millions. Excess reserves of member banks outside of New York City have risen from $150 millions to $300 millions, the highest on record.

These excess reserves will have to be put to work and are likely to find an outlet in high-grade bonds first. Hence the strength of this class of security.

Stocks

LAST week's sharp break in stocks on the first day of autumn was confined to one day and succeeded by a rally. The comeback of railroad securities was especially noteworthy, stimulated no doubt by the railroad earnings statements now being reported. The first 37 railroads to report for August showed net operating income of $27 millions against $12 millions in August, 1932, an increase of 109.7%. The July net for these roads amounted to about $28 millions.

Public utilities were subjected to pressure in consequence of the agitation for rate changes and general unfavorable disclosures. Oil stocks benefited by the announcement that the industry is nearing the official quota with production cut to 2,487,000 bbl. But, on the whole, the stock market has been sagging mostly because of doubts about some of the inflation prospects on which much of the rise had been built.

The current level of 90 leading stocks is now on a par with the low of the July break, which was identical with the end of May level. Hence the entire summer's rise has been wiped out again. Since the September peak on the first day of the month, a 14% decline has occurred.

BUSINESS WEEK

The Journal of Business News and Interpretation

SEPTEMBER 30, 1933

Recovery's Pace

PRESIDENT ROOSEVELT recently has been importuned, principally by the agrarian spokesmen, to proceed promptly to currency inflation. The argument is that the upturn in business activity and in farm prices which was so marked in late spring and early summer was due to anticipation of vigorous inflation. Now there is a reaction. Business will continue to slow up and farm prices sink again, it is contended, unless the threat of depreciating the dollar by direct action is made good.

"Sound money" advocates are marshalling their forces as never before to counteract the influence of the currency inflationists. As to the state of prices and the trend of business, they contend the present recession is temporary. They strongly deny that the earlier upturn was mere anticipation of inflation. Some of them go so far as to insist a "natural" recovery was inevitable last spring, that it still is inevitable, and that, so far from accelerating it, uncertainty as to the monetary policy of the United States really has delayed it.

The truth, we believe, lies somewhere between these views. We are no believers in the theory of "natural" recovery; we doubt if ever there was an instance in which the classic theory of the business cycle worked itself out according to pattern; certainly it showed no signs of doing so this time. We believe the bold program of the Administration started the upturn. Part of the rise, but not all, certainly was due to anticipation of inflation.

As to the moderate recession of business and of some commodity prices during the past few weeks, we are inclined to agree with the "sound money" people that it is temporary, but to disagree vigorously with their idea that further recovery is inevitable. On the contrary, it will require bold execution of an inflationary program to carry recovery through to completion and some degree of stability.

As our leading news article of the week, we present an estimate of the Administration's policy on inflation based on the best of authority, and not in the least colored or warped by our own convictions. The program is to expand credit on a broad front. There are plans to release frozen bank deposits, to make loans to industry, to make further loans to farmers, to lend money for the purchase of rail equipment. The open market purchases of the Federal Reserve are moderate, but persistent, so that idle bank reserves continue to mount. All this is inflation, positive inflation. So is the public works program, at last swinging into high gear. So is the NRA experiment in the concerted raising of wages. The agricultural program is obviously inflationary.

Roosevelt, says our Washington correspondent, "is not going to be hurried into currency inflation. He does not believe the situation calls for any immediate move."

With all of this, we are in the heartiest accord. Recovery, in our opinion, is progressing at a satisfactory pace. Even a moderate recession has its good uses. There are many things to be adjusted, many positions to be consolidated, many preparations to be made, before we are ready for anything like 1926 price levels. Recovery will be the better for being brought along at a moderate pace, trying as that may be to the patience of a people tired of four years of deprivations.

As to currency inflation, there is a lot of nonsense uttered about it. It works no magic of itself—either white or black magic. Printing money has small effect; spending it is what does the trick. So long as the United States can continue to spend adequately on an inflation program, there is no need to start the printing presses.

Published weekly by the McGraw-Hill Publishing Company, Inc. 330 West 42nd St., New York City. Tel. MEdallion 3-0700. Price 20¢. Subscription: $5.00 a year, U. S. A. and possessions. Foreign $7.50. Cable code, Mcgrawhill

Publishing Director, Jay E. Mason

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